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STATE OF MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 1986
James J. Blanchard, Governor

Prepared by
Department of Management and Budget

Cover Art - Canoes in a Fog
A painting by Francis Ann Hopkins (circa 1870). From rememberances of Michigan's fur trading era.
Collection of Glenbow Art Museum, Calgary, Alberta, Canada

Cover design - Tamie Kaweck

James J. Blanchard, Governor

These financial statements reflect our continued commitment to a full and complete accounting for the resources entrusted to state government. It is with pleasure, therefore, that we present this year's Comprehensive Annual Financial Report.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

STATE OF MICHIGAN

FISCAL YEAR ENDED SEPTEMBER 30, 1986

Prepared By:

THE DEPARTMENT OF MANAGEMENT AND BUDGET
ROBERT H. NAFTALY, DIRECTOR

OFFICE OF ACCOUNTING
JAMES J. BOLTHOUSE, DIRECTOR
RUSSELL E. PIGUE
JOSEPH D. FRICK
STEVEN D. GROVER
DONALD F. KNIEPER
MICHAEL J. MOODY

STATE OF MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 1986
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STATE OF MICHIGAN

JAMES J. BLANCHARD, Governor

DEPARTMENT OF MANAGEMENT AND BUDGET

P.O. BOX 30026 LANSING, MICHIGAN 48909
ROBERT H. NAFTALY, Director

The Honorable James J. Blanchard, Governor
Members of the Legislature
People of the State of Michigan

In compliance with Article IX, Section 21, of the State of Michigan Constitution and Michigan Public Act 431 of 1984, I am very pleased to submit the Comprehensive Annual Financial Report of the State of Michigan for the fiscal year ended September 30, 1986. I am especially proud of this year's report because we have balanced our budgets in full compliance with acceptable accounting methods. The State's fiscal condition is stronger than it has ever been. Our improved credit ratings are now the highest in the nation and this benefits both the State and local units of government. In addition, we have been able to reduce our income tax rates to the prerecession level.

This report is prepared by the Department of Management and Budget, Office of Accounting, which is responsible for both the accuracy of the data and the completeness and fairness of the presentation. I am confident the data is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of the State's operations; and that all disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial affairs have been included.

Reporting Standards and Presentation

Compliance with Generally Accepted Accounting Principles

The State is required by statute to prepare its financial statements in accordance with generally accepted accounting principles (GAAP). The State has in recent years eliminated all the deviations from GAAP that previously existed, except for one. These statements do not include financial information related to the Michigan Unemployment Compensation Fund (MUCF).

The MUCF, which is under the direction of the Michigan Employment Security Commission (MESC), was determined to be a part of the State for financial reporting purposes even though it is not accounted for within the State's accounting system. Under GAAP, the State report should reflect the activities of the MUCF as a trust fund. The State has not, however, been able to comply with this reporting requirement because the MESC has not maintained accounting records which allow the timely completion of audited GAAP basis financial statements. The State is continuing its efforts toward GAAP reporting for the MUCF and it is our goal that this final GAAP departure will be resolved prior to issuance of our 1986-87 statements.

Method of Presentation

This report uses the "reporting pyramid" approach established by the National Council on Governmental Accounting (NCGA) in Statement 1 and endorsed by the Governmental Accounting Standards Board (GASB). The pyramid does not provide a consolidated State financial statement; rather, it combines funds and component units in columns of fund types. The statements which reflect these combined fund type columns are referred to as the "General Purpose Financial Statements" and the auditor's opinion is primarily upon those columns.

Following the General Purpose Financial Statements are the combining financial statements, schedules, and statistical data. These statements and schedules provide detail, generally by fund, for the amounts shown in the fund type columns in the General Purpose Financial Statements. The term "Comprehensive Annual Financial Report" is used to describe all of the data presented in this report. The Government Finance Officers Association (GFOA) has established recommendations for the contents of Comprehensive Annual Financial Reports and we follow their recommendations to the extent possible.

Reporting Entity

Prior to 1982-83, the State defined its reporting entity primarily based upon the extent to which the State Treasurer was responsible for the monies of the various State agencies. In 1982-83, the State expanded its reporting entity to include "component units" using the financial oversight criteria provided in NCGA Statement 3. The major impact of this change was the inclusion of financing authorities in these statements, even though the State (as legally defined) is not directly responsible for their obligations.

Budgetary Reporting

Budgetary compliance for the annually budgeted operating funds is demonstrated in this report in the budget to actual comparative statements, footnote #3, and also in related supplementary schedules. The budgetary basis departs from GAAP only in ways that do not affect unreserved fund balance. The two departures are the use of encumbrances, which GAAP does not require, and the funding of capital lease commitments on a "pay as you go" basis, rather than at lease inception.

Financial Highlights - Oversight Entity

General Fund - Elimination of GAAP Departures

Public Act 431 of 1984 required the State to eliminate departures from GAAP in calculating fund balance for budgetary purposes. The statute also requires the State to maintain a balanced budget (i.e., the budget must provide for an ending unreserved fund balance which is not in deficit). Prior to fiscal year 1981-82, the State had avoided General Fund deficits by not recording certain liabilities when determining budgetary fund balance. This resulted in qualified auditors' opinions because of the unrecorded liabilities.

Beginning with 1981-82, the State began using the NCGA recommended method of "dual basis" reporting so that both GAAP and "statutory/ budgetary" statements were presented. Thus, the State began properly reporting fund balance deficits under GAAP even though the budget was, for legal purposes, in balance. At that time, departures from GAAP amounted to $790 million. This year, the liability ($701 million) for estimated income tax refunds as of September 30, 1985, was recorded as a beginning balance adjustment on the budgetary basis. This eliminated the last budgetary GAAP departure, thus fulfilling the requirement of Public Act 431 of 1984.

The funding needed to eliminate GAAP departures was made possible by special tax restrictions on portions of the cigarette tax (10¢ per pack) and the personal income tax (.25%). These restricted revenues allowed the State to record medicaid related accruals on the budgetary basis in the 1983-84 fiscal year as well as the estimated income tax liability this year. The restriction on the cigarette tax was lifted and the income tax rate reduced from 5.35% to 5.1% on December 1, 1985 when the State Treasurer declared that sufficient revenues had been generated.

General Fund - Fund Balance Reserves for Capital Outlay Carry-overs

This year, the State resumed the practice of reserving General Fund balance for capital outlay carry-overs. Appropriations for capital outlay projects (such as for building construction) are frequently provided for periods of time extending beyond one year. Unused appropriations for such authorizations are carried over until the project is complete. Beginning with fiscal year 1980-81, the State stopped recording these carry-overs as fund balance reservations in the General Fund and future years' revenues were used to fund the balances remaining on the projects. Public Act 431 of 1984, section 494 (3) states: "When the state budget director determines that sufficient revenues exist, a capital outlay reserve shall be established. After a capital outlay reserve is established, the capital outlay reserve shall not be used to balance any deficit."

The financial condition of the State at the end of this fiscal year was sufficiently sound to allow the recording of this reserve. The effect of this change was to reduce unreserved General Fund balance by $152.6 million. The effect of this change is to fund such authorizations in the year in which they are made, rather than in the year in which obligations are incurred and this further strengthens the State's financial condition.

Revenues

Revenues of the General and special revenue funds (excluding component units) are shown below (in millions):

Revenue Source	1985-86 Amount	Percent of Total	Change From 1984-85	Percentage Change
Personal Income Tax	$ 3,153.9	23%	$(157.7)	(4.8)%
Sales Tax	2,283.1	17	140.5	6.6
Single Business Tax	1,526.5	11	148.1	10.7
Other Taxes	2,307.1	17	181.8	8.6
Federal Revenues	3,498.6	25	307.8	9.6
Other Revenues	837.9	6	164.3	24.3
Total	$13,607.4	100%	$ 785.0	

Note: The State Lottery Fund was reclassified from the special revenue fund type to the enterprise fund type as of October 1, 1985. The numbers in the table above for the prior year have been restated to reflect this reclassification.

The personal income tax rate was by statute scheduled to be reduced from 5.1% to 4.6% on March 1, 1986. This reduction, however, was accelerated to January 1, 1986, due to the success of a State tax amnesty program. The amnesty program generated $103.1 million of recoveries. The 1984-85 personal income tax rate, on an annualized basis, was lower this fiscal year by approximately 12.3% (5.35% for 1984-85, 4.77% for 1985-86). This decreasing of the rate more than offset the increase in tax base caused by the growth in personal income levels.

The increases in the sales, single business, and other taxes reflect the continued strengthening of the State economy.

Federal revenue increases are primarily attributable to growth in the revenues from the federal departments of Health and Human Services ($252 million) and Transportation ($58 million).

Other revenues include local ($126 million), services ($113 million), licenses and permits ($152 million), investment income ($137 million), child support recoveries ($122 million), and other miscellaneous sources ($187.2 million). The increase in these revenues was caused by a number of items, most notably a change in treatment for child support recoveries that were formerly recorded as expenditure reductions.

Expenditures

Expenditures of the General and special revenue funds (excluding component units) are shown below (in millions):

Current, Capital Outlay, and Intergovernmental Expenditures by Function (GAAP Basis)	1985-86 Amount	Percent of Total	Change From 1984-85	Percent Change
Current:				
General government	$ 615.6	5%	$ 79.0	14.7%
Education	4,028.3	29	398.9	11.0
Health and welfare	4,471.9	33	284.6	6.8
Public safety & corrections	573.3	4	87.5	18.0
Conservation, recreation, & agriculture	253.8	2	39.3	18.4
Labor, commerce & regulatory	535.8	4	12.3	2.4
Mental health	903.1	7	87.5	10.7
Transportation	853.2	6	13.0	1.6
Items not assigned to a function	.1	-	(2.6)	(95.5)
Capital outlay (including highways)	615.5	5	186.9	43.6
Intergovernmental - revenue sharing	831.0	6	69.3	9.1
Total Current Capital Outlay and Intergovernmental	$13,682.1	100%	$ 1,256.2	

Note: The State Lottery Fund was reclassified from the special revenue fund type to the enterprise fund type as of October 1, 1985. The numbers in the table above for the prior year have been restated to reflect this reclassification.

General government includes operations of the legislative and judicial branches and executive branch functions within the Departments of Management and Budget, Attorney General, Civil Rights, Civil Service, State, and Treasury.

Education expenditure levels reflect the State's continued emphasis in its aid to both local school districts and institutions of higher education.

Health and welfare expenditures include operations of the Departments of Social Services and Mental Health. Although caseloads have continued their downward trend, expenditures in this category increased by $284.6 million. Of this amount, $122 million can be attributed to a change in the treatment of child support recoveries which are now recorded as revenues rather than as expenditure reductions. Other increases were general with the medical services and energy assistance areas being the most notable.

Corrections expenditures will continue an upward trend, as new facilities are opened. Total prison capacity is being increased from a level of 12,780 as of October 1, 1984 to a projected level of 23,471 in 1989.

Funding for the State's Mental Health programs has been increased in recent years for both State institutions and community based programs.

Capital outlay expenditures increased primarily because of an increase in State Trunkline Fund highway expenditures and General Fund prison expansion.

The increase in revenue sharing distributions to local units reflects the increase in State tax collections caused by the improving State economy.

Cash and Debt Management - Oversight Entity

The State Treasurer maintains the State's common cash pool, which is used by most State funds for short-term investment and to provide centralized control over disbursements. The total amount of pooled cash, which is primarily invested in prime commercial paper, amounted to $2.5 billion dollars at September 30, 1986. The State has also used the pool to provide for special investment programs. A new program designed to encourage banks to make loans to farmers who have special hardships related to natural disasters is being implemented using the investments of pooled cash as an incentive.

The State's cash flow requirements are greatest in the earlier part of the fiscal year and short-term notes have, in the past, been issued to provide additional financing. Such borrowings, which are constitutionally required to be repaid before fiscal year-end, amounted to $500 million during 1983-84, $450 million during 1984-85, with $350 million borrowed for 1985-86. The State, for the first time since 1977, did not issue any short-term notes for cash flow financing for the 1986-87 year. This improved cash position, which is largely the result of funding GAAP departures, has saved the State significant amounts of borrowing costs.

The State's level of general obligation debt is continuing to decrease as it has for the past nine years, falling from $573.5 million as of September 30, 1976 to the $198.0 million currently outstanding. This trend will continue in the future unless additional general obligation borrowing is authorized by the electorate.

Revenue dedicated bonded debt, which is primarily transportation related, increased by $14.5 million to $433.0 million during 1985-86 as the State's only bond issues were for the purpose of refunding previous issues. Ultimately, these refunding issues will result in future debt service savings because of the lower interest rates on the new debt.

Michigan Municipal Bond Authority

During the fiscal year, the State created the Michigan Municipal Bond Authority to assist local units of government in reducing their short-term and long-term borrowing costs. The authority pools the borrowing needs of various local units, and this results in significant savings to them. Short-term financing (notes) of $150.4 million and long-term financing (bonds) of $420.0 million were issued during the fiscal year.

Proprietary Funds - Oversight Entity

The Liquor Purchase Revolving Fund generated net income of $62.0 million which, pursuant to statute, was transferred to the General Fund. The State Sponsored Group Insurance Fund, which accounts for the State's self insurance for employee benefit programs, maintains its strong financial position, as assets held by the fund increased by $29.7 million to $146.3 million.

The State's lottery fund, which in prior fiscal years had been reported as a special revenue fund, was reclassified to the enterprise fund class where most other states account for their lottery activities. Lottery sales remained strong, with gross revenues exceeding $1 billion for the first time. The net amount provided to the School Aid Fund increased to $415.1 million, as compared to $360.0 million last year.

Pension Plans

The State Constitution requires the State to provide current funding of plan benefits and statutes provide for the amortization of unfunded prior service costs. The statutes also contain an additional safeguard whereby a shortfall in the legally required contributions will be corrected in the second succeeding fiscal year. As a result of these measures, the State's pension systems remain relatively strong and the amount of unfunded obligations passed on to future years is minimized.

The assets (at cost) of those funds included in this report as pension funds increased by $1.6 billion to $12.3 billion at September 30, 1986. The latest actuarial valuation of the two largest funds, the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS), were prepared as of September 30, 1986. The PSERS had net assets (at cost) of $8.9 billion versus the present value of credited projected benefits of $10.5 billion at September 30, 1986. The SERS had net assets of $2.7 billion versus the present value of credited projected benefits of $2.8 billion at September 30, 1986. Contributions to the PSERS and SERS were sufficient during 1985-86 to cover the current service as well as to amortize prior service costs under generally accepted accounting principles.

Financial Highlights - Component Units

Governmental Types

The State Building Authority, which is reflected in the special revenue, capital projects, and debt service fund types, has financed several major university and State building projects. Bonds outstanding total $616.2 million, with $129.1 million currently available in debt service funds for debt redemption. The most significant current project of the authority is the new State library/museum, which is now under construction.

Also during 1985-86, the authority had a special refunding issue in order to defease $331.3 million of high interest rate bonds. This refunding will save the State in future debt service requirements because of the lower interest rates on the new debt.

Proprietary Types

The largest proprietary type component units are the Michigan State Housing Development and Hospital Finance Authorities. These authorities, which help finance various housing and hospital financing activities, have long-term liabilities of $1,901.7 million and $1,985.0 million outstanding, respectively, as of September 30, 1986. The new Michigan Strategic Fund, which includes the activities of the now dissolved Job Development and Economic Development Authorities, is also reported in this fund type. The Strategic Fund is implementing several new programs to stimulate business and job growth and is becoming a major tool in the State's efforts in these areas.

Audit

The principal auditor of the State's reporting entity is the legislative Office of the Auditor General. Their examination was conducted in accordance with generally accepted auditing standards (GAAS), and their opinion precedes the General Purpose Financial Statements. The accounting firm of Deloitte Haskins and Sells has reviewed the General Purpose Financial Statements in accordance with standards established by the American Institute of Certified Public Accountants and their review letter also precedes these statements.

In addition to the annual audit of the State's general purpose financial statements, the Office of the Auditor General also performs periodic financial and expanded scope audits of the various State agencies. Outside accounting firms are also frequently used, particularly for the audits of separately issued component unit financial statements, such as those for the major financing authorities. The Auditor General, as the State's principal auditor, also has primary responsibility for federal Single Audit Act coverage and this work is generally being reported at the department or authority level.

Conclusion

The State in recent years has been able to significantly improve its financial position. The State made the hard choices to temporarily increase income taxes, restrain growth in spending, and restrict revenues for the purpose of eliminating GAAP departures from our budget. We are now seeing the benefits of the sacrifices that have been made.

This strong financial position will enable us to achieve our commitments for quality programs that address the essential needs of the citizens of this State.

Finally, I wish to express my appreciation to the many people whose dedicated efforts made possible the preparation of this report. I believe their combined efforts have produced a report that will enable government decision makers and concerned citizens to better evaluate and understand the State's financial condition.

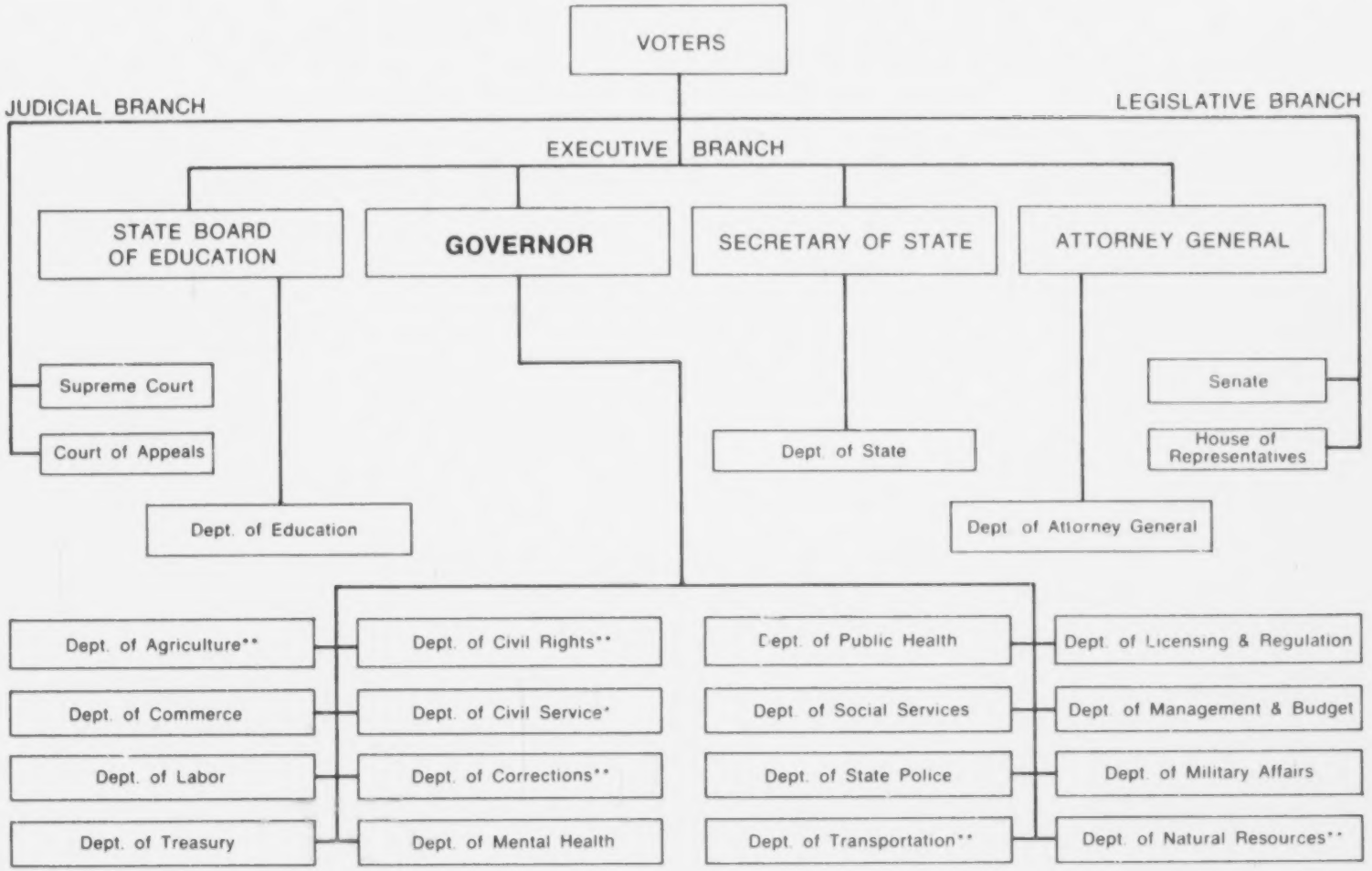
Very truly yours,

Director

March 13, 1987

STATE OF MICHIGAN

Organizational Structure



*Have Commission appointed by Governor
**Have Commission appointed by Governor, confirmed by Senate

STATE OF MICHIGAN

PRINCIPAL STATE OFFICIALS

JUDICIAL BRANCH

Supreme Court Justices
Honorable Dorothy Comstock Riley, Chief Justice
Honorable Charles L. Levin, Associate Justice
Honorable James H. Brickley, Associate Justice
Honorable Michael F. Cavanagh, Associate Justice
Honorable Patricia J. Boyle, Associate Justice
Honorable Dennis W. Archer, Associate Justice
Honorable Robert P. Griffin, Associate Justice

LEGISLATIVE BRANCH

Honorable Martha W. Griffiths
President of the Senate

Honorable Gary M. Owen
Speaker of the House of Representatives

Franklin C. Pinkelman
Legislative Auditor General

EXECUTIVE BRANCH

Honorable James J. Blanchard, Governor

Honorable Frank J. Kelley, Attorney General

Honorable Richard H. Austin, Secretary of State

State Board of Education
- Honorable James J. Blanchard (Ex Officio)
- Honorable Dorothy Beardmore
- Honorable Carroll M. Hutton
- Honorable Cherry Jacobus
- Honorable Barbara Roberts Mason
- Honorable Annetta Miller
- Honorable Gumecindo Salas
- Honorable Norman Otto Stockmeyer, Sr.
- Honorable Edmund F. Vandette

Phillip E. Runkel, Superintendent of Public Instruction

Michigan Commission of Agriculture
- Robert Chaffin
- Elwood Kirkpatrick
- George A. McManus, Jr.
- Rita M. Reid
- S. Leon Whitney

Paul Kindinger, Director, Department of Agriculture

Civil Rights Commission
- Sondra Lynn Berlin
- Beverly Clark
- Eva Evans
- Dorothy Haener
- Michael C. Hidalgo
- Rev. William Holly
- Benny N. Napoleon
- Philip Van Dam

John Roy Castillo, Director, Dept. of Civil Rights

Civil Service Commission
- John F. Dodge, Jr.
- Walter R. Greene
- Alan A. May
- Vacant

John F. Hueni, Jr., Director, Dept. of Civil Service

Doug Ross, Director, Department of Commerce

Corrections Commission
- Robert S. Axford
- Brunetta Brandy
- Thomas K. Eardley, Jr.
- James H. Lincoln
- Duane L. Waters

Robert Brown, Jr., Director, Department of Corrections

Elizabeth P Howe, Director, Department of Labor

Raymond W. Hood, Sr., Director, Department of Licensing and Regulation

Robert H. Naftaly, Director, Department of Management and Budget

Thomas D. Watkins, Jr., Acting Director, Department of Mental Health

Major Gen. Vernon J. Andrews, Director, Department of Military Affairs

Natural Resources Commission
- Thomas J. Anderson
- Marlene J. Fluharty
- Vacant
- Kerry Kammer
- O. Stewart Myers
- David F. Olson
- Raymond Poupore

Gordon E. Guyer, Director, Department of Natural Resources

Gloria R. Smith, Director, Department of Public Health

C. Patrick Babcock, Director, Department of Social Services

Col. Gerald L. Hough, Director, Department of State Police

Transportation Commission
- William C. Marshall
- Rodger D. Young
- Stephen F. Adamini
- William J. Beckham, Jr.
- Hannes Meyers, Jr.
- Shirley E. Zeller

James P. Pitz, Director, Dept. of Transportation

Robert A. Bowman, State Treasurer

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II FINANCIAL SECTION

AUDITOR'S REPORT
ACCOUNTANT'S REVIEW REPORT
GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
333 SOUTH CAPITOL AVENUE-SUITE A
LANSING, MICHIGAN 48913
(517) 373-3773

FRANKLIN C. PINKELMAN, C.P.A.
AUDITOR GENERAL

CHARLES S. JONES, C.P.A.
DEPUTY

March 13, 1987

The Honorable James J. Blanchard, Governor
Members of the Legislature

We have examined the general purpose financial statements of the State of Michigan principally as of September 30, 1986 and for the year then ended listed in the foregoing table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain component units, the State Lottery Fund, the General Fixed Assets Account Group, and capital lease obligations recorded in the General Long-Term Obligations Account Group which are more fully described in Notes 1, 4, 12, 17, and 25. Those financial statements reflect total assets and revenues constituting 1% and 0.3% of the assets and revenues, respectively, of the special revenue funds; 93% and 47% of the assets and revenues, respectively, of the debt service funds; 98% and 77% of the assets and operating revenues, respectively, of the enterprise funds; 99% and 87% of the assets and revenues, respectively, of the capital projects funds; 100% of the assets of the General Fixed Assets Account Group; and 38% of the liabilities of the General Long-Term Obligations Account Group. Those statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts reported on those financial statements, is based solely upon the reports of the other auditors.

As described in Notes 1 and 18, the general purpose financial statements referred to in the first paragraph do not include the Michigan Unemployment Compensation Fund of the Michigan Employment Security Commission, which, in our opinion, should be included in order to conform with generally accepted accounting principles. This omission results in an understatement of the amounts reported in the general purpose financial statements for the fiduciary fund type.

As disclosed in Note 27, the General Fund "amounts due from local units" and "unreserved fund balance" include $36.8 million in amounts due from Wayne County. The county has initiated a law suit contesting this entire amount and has discontinued making payments. As a result, there is no assurance that this receivable will be collected by September 30, 1987.

In our opinion, based on our examination and the reports of other auditors, except for the effect on the financial statements of the omission described in the second paragraph and subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainty discussed in the third paragraph been known, the general purpose financial statements referred to in the first paragraph present fairly the financial position of the State of Michigan principally at September 30, 1986 and the results of its operations and the changes in financial position of the proprietary fund types and pension related trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for a change in the State's encumbrance policy from a commitment to a budgetary focus, a change in policy to reserve General Fund balance for capital outlay projects, a reclassification of the State Lottery Fund from the Special Revenue to the Enterprise Fund Type, a change in the policy for reserving fund balances for single purpose special revenue funds, a change to prefunding of health insurance benefits in the Public School Employees' Retirement System, and a change to using market values of investments in the actuarial valuations on four of the State-supported retirement systems; we concur with all of these changes which are described in Notes 1, 4, and 13 to the general purpose financial statements.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Michigan. This information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The statistical data listed in the foregoing table of contents was not audited by us and, accordingly, we express no opinion on it.

Sincerely,

Franklin C. Pinkelman, C.P.A.
Auditor General

Deloitte
Haskins + Sells

Suite 3100
100 Renaissance Center
Detroit, Michigan 48243-1167
(313) 446-0100
ITT TIMETRAN: 4994951

The Honorable Franklin C. Pinkelman, CPA
Auditor General
State of Michigan
Lansing, Michigan

March 13, 1987

We have reviewed the general purpose financial statements of the State of Michigan principally as of September 30, 1986 and for the year then ended, listed in the foregoing table of contents, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the State of Michigan Department of Management and Budget.

A review consists principally of inquiries of State personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, subject to the effects, if any, of such adjustments as might have been required had the outcome of the uncertainty described in the fifth paragraph been known and except for the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 18, the accompanying general purpose financial statements do not include the financial statements of the Michigan Unemployment Compensation Fund of the Michigan Employment Security Commission as required by generally accepted accounting principles.

As discussed in Note 27 to the general purpose financial statements, certain receivables due from Wayne County aggregating $36.8 million are being contested and, as a result, there is no assurance that they will be collected by September 30, 1987.

Our review was made for the purpose of expressing the limited assurance described in the third paragraph concerning the financial statements taken as a whole. Our review also comprehended the supplemental financial data listed in the foregoing table of contents which is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Based on our review, except for the effects of the matter described in the fourth paragraph, we are not aware of any material modifications that should be made to the supplemental financial data in order for such data, when considered in relation to the general purpose financial statements, to be in conformity with generally accepted accounting principles. The statistical data listed in the foregoing table of contents was not reviewed by us; accordingly, we do not express an opinion or any other form of assurance on it.

Yours truly,

Deloitte Haskins + Sells

STATE OF MICHIGAN
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1986
(In Thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 6,186	$ 659	$ 4,707	$ 6
Equity in Common Cash (Note 5)	901,362	967,593	6,282	358
Taxes, interest, and penalties receivable (at net) (Note 6)	856,789	156,908	-	-
Amounts due from other funds (Note 21)	22,974	50,417	1,404	-
Amounts due from federal agencies	368,446	101,965	-	24
Amounts due from local units (at net) (Notes 9 and 27)	149,749	16,516	-	-
Inventories	16,971	12,851	-	-
Investments (Note 10)	-	16,147	67,563	13,733
Other current assets	146,210	15,987	2,409	680
Total Current Assets	2,468,691	1,339,048	82,367	14,801
Taxes, interest, and penalties receivable (at net) (Note 6)	32,363	2,616	-	-
Advances to other funds (Note 21)	150	2,130	-	-
Amounts due from local units	21,717	126,106	-	-
Mortgages and loans receivable (Note 11)	-	-	-	-
Investments (Note 10)	-	14,998	82,927	24,364
Property, plant and equipment (Note 12)	-	-	-	-
Other noncurrent assets	17,615	14,000	-	-
Amount available for retirement of bonds	-	-	-	-
Amount to be provided for bond retirement	-	-	-	-
Amounts to be provided for other long-term obligations (Note 16)	-	-	-	-
Total Assets	$ 2,540,537	$ 1,498,901	$ 165,294	$ 39,165
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Liability to Common Cash (Note 5)	$ -	$ 100,752	$ -	$ -
Warrants outstanding	79,992	9,591	-	-
Accounts payable and other liabilities	821,224	211,863	4,482	1,389
Income tax refunds payable	831,303	-	-	-
Amounts due to other funds (Note 21)	52,028	38,831	19,535	-
Bonds and notes payable (Note 19)	-	-	-	-
Interest payable	-	-	-	-
Deferred revenue	12,861	8,709	-	-
Escrow funds	-	-	-	-
Total Current Liabilities	1,797,410	369,748	24,017	1,389
Long-Term Liabilities:				
Advances from other funds (Note 21)	-	-	-	-
Prize awards payable (Note 19)	-	-	-	-
Deferred revenue	45,697	19,917	-	-
Bonds and notes payable (Notes 16 and 19)	-	-	-	-
Other long-term liabilities (Note 16)	108	-	-	-
Total Liabilities	1,843,216	389,665	24,017	1,389
Fund Equity:				
Investment in general fixed assets	-	-	-	-
Retained earnings (Note 23)	-	-	-	-
Reserved fund balance (Note 24)	544,705	509,497	1,131	272
Unreserved fund balance (Note 24)	152,615	599,739	140,146	37,503
Total Fund Equity	697,321	1,109,236	141,277	37,776
Total Liabilities and Fund Equity	$ 2,540,537	$ 1,498,901	$ 165,294	$ 39,165

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTALS (MEMORANDUM ONLY)
$ 66,299	$ 1,013	$ 3,462	$ -	$ -	$ 82,334
55,310	115,558	594,685	-	-	2,641,150
-	-	13,528	-	-	1,027,226
1,692	1,629	37,179	-	-	115,297
2,891	-	15,747	-	-	489,074
-	236	42,286	-	-	208,789
62,232	11,226	-	-	-	103,282
484,566	-	1,773,482	-	-	2,355,493
126,947	1,978	231,061	-	-	525,275
799,940	131,643	2,711,432	-	-	7,547,925
-	-	12,800	-	-	47,779
-	-	-	-	-	2,280
-	-	1,490	-	-	149,313
2,876,687	-	-	-	-	2,876,687
1,374,718	-	11,749,605	-	-	13,246,613
31,354	60,925	-	1,506,690	-	1,598,971
26,329	38,683	2,271	-	-	98,900
-	-	-	-	140,146	140,146
-	-	-	-	1,107,898	1,107,898
-	-	-	-	520,010	520,010
$ 5,109,030	$ 231,252	$14,477,599	$ 1,506,690	$ 1,768,055	$27,336,527
$ 1,839	$ 11,786	$ 3,191	$ -	$ -	$ 117,569
6,541	559	77,081	-	-	173,767
97,445	63,001	372,395	-	-	1,571,802
-	-	-	-	-	831,303
794	219	3,888	-	-	115,297
127,608	-	-	-	-	127,608
106,627	-	-	-	-	106,627
30,197	73,640	18,709	-	-	144,118
117,442	-	-	-	-	117,442
488,496	149,206	475,266	-	-	3,305,535
-	-	2,280	-	-	2,280
200,216	-	-	-	-	200,216
368	242	12,800	-	-	79,025
4,065,374	-	-	-	1,248,045	5,313,419
11,161	20,974	-	-	520,010	552,254
4,765,617	170,423	490,347	-	1,768,055	9,452,731
-	-	-	1,506,690	-	1,506,690
343,413	60,829	-	-	-	404,242
-	-	11,967,917	-	-	13,023,523
-	-	2,019,335	-	-	2,949,339
343,413	60,829	13,987,252	1,506,690	-	17,883,796
$ 5,109,030	$ 231,252	$14,477,599	$ 1,506,690	$ 1,768,055	$27,336,527

STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES			
Taxes	$ 6,810,937	$ 2,459,867	$ -
From federal agencies	2,995,417	503,208	-
From local agencies	110,516	17,050	8,607
From services	111,881	1,031	-
From licenses and permits	95,688	60,874	5,244
Miscellaneous	282,499	168,607	15,879
Total Revenues	10,406,940	3,210,639	29,731
EXPENDITURES			
Current:			
General government	606,675	9,148	192
Education	1,280,928	2,470,077	-
Health and welfare	4,471,975	-	-
Public safety and corrections	573,394	-	-
Conservation, recreation, and agriculture	245,813	8,167	-
Labor, commerce, and regulatory	431,831	103,972	-
Mental health	903,129	-	-
Transportation	-	856,728	359
Items not assigned to a function	121	-	-
Capital outlay	159,877	455,664	-
Intergovernmental - revenue sharing	831,087	-	-
Debt service:			
Bond principal retirement	-	-	77,727
Bond interest and fiscal charges	-	-	84,827
Capital lease payments	16,355	4,502	-
Total Expenditures	9,821,190	3,908,262	163,105
Excess of Revenues over (under) Expenditures	585,749	(697,623)	(133,374)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	-	7,518	-
Proceeds from refunding bond issue	-	-	570,302
Payment to refunded bond escrow agent	-	-	(624,148)
Capital lease acquisitions	9,100	-	-
Operating transfers in	245,860	1,430,021	445,744
Operating transfers out	(700,789)	(725,944)	(206,555)
Total Other Financing Sources (Uses)	(445,828)	711,596	185,343
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	139,921	13,973	51,969
Fund Balances - Beginning of fiscal year as previously reported	556,394	1,098,067	89,307
Effect of accounting changes (Note 4)	-	(1,108)	-
Fund Balances - Beginning of fiscal year - restated	556,394	1,096,958	89,307
Equity transfers from other funds	1,005	8,943	-
Equity transfers to other funds	-	(10,639)	-
Fund Balances - End of Fiscal Year	$ 697,321	$ 1,109,236	$ 141,277

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUND TYPE	FIDUCIARY FUND TYPE	
CAPITAL PROJECTS	EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
$ -	$ 14,081	$ 9,284,886
104	93,936	3,592,666
-	22,141	158,315
-	-	112,912
-	-	161,807
686	528,931	996,603
790	659,090	14,307,191
-	100,167	716,182
-	8	4,051,015
-	1	4,471,976
-	-	573,394
-	-	253,981
-	49,467	585,271
-	5,842	908,972
-	120,697	977,785
-	-	121
3,299	-	618,841
-	-	831,087
-	-	77,727
-	-	84,827
-	-	20,858
3,299	276,185	14,172,042
(2,508)	382,905	135,148
38,733	-	46,251
-	-	570,302
-	-	(624,148)
-	-	9,100
-	4,899	2,126,527
(721)	(29,866)	(1,663,876)
38,012	(24,967)	464,156
35,503	357,937	599,305
2,273	1,661,397	3,407,439
-	-	(1,108)
2,273	1,661,397	3,406,331
-	-	9,949
-	-	(10,639)
$ 37,776	$ 2,019,335	$ 4,004,945

STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

Statutory/Budgetary Basis	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 6,736,100	$ 6,810,937	$ 74,837
From federal agencies	3,182,100	2,995,417	(186,682)
From local agencies	95,800	110,516	14,716
From services	103,000	111,881	8,881
From licenses and permits	101,500	95,688	(5,811)
Miscellaneous	255,500	282,499	26,999
Operating transfers in	203,100	245,860	42,760
Total Revenues and Other Sources	10,677,100	10,652,801	(24,298)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Legislative	93,033	89,859	3,174
Judicial	109,275	112,662	(3,387)
Executive	3,554	3,306	247
Management and Budget	1,118,748	1,053,250	65,497
Attorney General	27,324	25,889	1,434
Civil Rights	11,632	11,247	384
Civil Service	14,745	13,271	1,473
State	96,331	94,200	2,130
Treasury	251,985	214,561	37,423
Education	1,033,631	1,028,239	5,391
Grants to Colleges and Universities	1,105,251	1,105,243	8
Public Health	285,699	285,412	287
Mental Health	924,677	912,955	11,721
Social Services	4,137,364	4,220,145	(82,780)
Corrections	515,623	514,658	964
Military Affairs	27,360	26,870	490
State Police	176,254	173,903	2,350
Transportation	-	-	-
Commerce	162,991	161,383	1,608
Labor	280,923	264,706	16,217
Licensing and Regulation	19,594	18,331	1,262
Natural Resources	237,750	230,446	7,304
Agriculture	46,562	45,224	1,337
Items Not Assigned to Departments	-	121	(121)
Total Expenditures, Operating Transfers Out, and Encumbrances	10,680,317	10,605,893	74,423
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (3,217)	46,907	$ 50,125
Reconciling Items (Note 3):			
Encumbrances at September 30		93,014	
Net effect of recording estimated income tax refund liability (Note 3)		-0-	
Funds not annually budgeted		-	
Net Reconciling Items		93,014	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		139,921	
FUND BALANCES (GAAP BASIS)			
Beginning balances - as previously reported		556,394	
Effect of accounting change		-	
Beginning balances - restated		556,394	
Equity transfers from other funds		1,005	
Equity transfers to other funds		-	
Ending balances (GAAP Basis)		$ 697,321	

The accompanying notes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,432,000	$ 2,459,867	$ 27,867	$ 9,168,100	$ 9,270,804	$ 102,704
363,900	401,759	37,859	3,546,000	3,397,177	(148,822)
19,100	14,599	(4,500)	114,900	125,115	10,215
700	963	263	103,700	112,844	9,144
45,900	55,929	10,029	147,400	151,617	4,217
123,800	153,509	29,709	379,300	436,008	56,708
1,422,500	1,416,985	(5,514)	1,625,600	1,662,846	37,246
4,407,900	4,503,614	95,714	15,085,000	15,156,415	71,415
-	-	-	93,033	89,859	3,174
-	-	-	109,275	112,662	(3,387)
-	-	-	3,554	3,306	247
29,315	27,840	1,474	1,148,064	1,081,091	66,972
-	-	-	27,324	25,889	1,434
-	-	-	11,632	11,247	384
-	-	-	14,745	13,271	1,473
1,080	472	607	97,411	94,673	2,738
-	-	-	251,985	214,561	37,423
2,444,392	2,444,392	-	3,478,024	3,472,632	5,391
-	-	-	1,105,251	1,105,243	8
-	-	-	285,699	285,412	287
-	-	-	924,677	912,955	11,721
-	-	-	4,137,364	4,220,145	(82,780)
-	-	-	515,623	514,658	964
-	-	-	27,360	26,870	490
-	-	-	176,254	173,903	2,350
1,883,176	1,858,540	24,636	1,883,176	1,858,540	24,636
-	-	-	162,991	161,383	1,608
5,532	5,344	187	286,455	270,051	16,404
-	-	-	19,594	18,331	1,262
89,558	89,365	192	327,308	319,812	7,496
-	-	-	46,562	45,224	1,337
-	-	-	-	121	(121)
4,453,055	4,425,956	27,098	15,133,373	15,031,850	101,522
$ (45,155)	77,657	$ 122,813	$ (48,373)	124,564	$ 172,938
	26,818			119,832	
	-			-0-	
	(90,502)			(90,502)	
	(63,684)			29,329	
	13,973			153,894	
	1,098,067			1,654,461	
	(1,108)			(1,108)	
	1,096,958			1,653,353	
	8,943			9,949	
	(10,639)			(10,639)	
	$ 1,109,236			$ 1,806,557	

STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS AND FUND BALANCES
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST FUNDS	
OPERATING REVENUES:				
Operating revenues	$ 1,452,949	$ 315,628	$ -	$ 1,768,577
Contributions from members and employers (Note 13)	-	-	834,735	834,735
Interest income	278,355	-	-	278,355
Investment revenue (net)	138,890	-	1,381,977	1,520,867
Miscellaneous	51,705	-	7,343	59,048
Total Operating Revenues	1,921,900	315,628	2,224,055	4,461,584
OPERATING EXPENSES:				
Salaries, wages, and other administrative	172,287	46,203	6,982	225,474
Interest expense	361,766	-	-	361,766
Depreciation	3,783	11,290	-	15,074
Purchases for resale	339,393	18,676	-	358,070
Lottery prize awards	473,450	-	-	473,450
Purchases for manufacturing	-	6,580	-	6,580
Payment of premiums and claims	-	223,048	-	223,048
Benefits, insurance, and refunds	-	-	858,129	858,129
Other operating expenses	73,312	-	-	73,312
Total Operating Expenses	1,423,994	305,800	865,112	2,594,907
Operating Income (Loss)	497,906	9,827	1,358,943	1,866,676
NONOPERATING REVENUES (EXPENSES):				
Interest revenue (expense)	(96)	-	-	(96)
Specific tax on spirits	7,490	-	-	7,490
Gain (loss) on disposal of assets	(15)	(591)	-	(607)
Federal grant revenue	14,724	-	-	14,724
Grant expense	(19,974)	-	-	(19,974)
Gain (loss) on debt refunding	(474)	-	-	(474)
Loss on sale of loans receivable	(3,615)	-	-	(3,615)
Other nonoperating revenues (expenses)	42	(21)	-	21
Total Nonoperating Revenues (Expenses)	(1,918)	(612)	-	(2,531)
Income (Loss) Before Operating Transfers	495,987	9,214	1,358,943	1,864,144
OPERATING TRANSFERS:				
Operating transfers in	28,229	1,084	128	29,442
Operating transfers out	(485,221)	(1,686)	(5,174)	(492,082)
Total Operating Transfers In (Out)	(456,991)	(602)	(5,046)	(462,639)
Net Income (Loss)	38,995	8,612	1,353,897	1,401,505
Retained Earnings and Fund Balances - Beginning of Fiscal Year - as previously reported	296,751	52,454	10,614,019	10,963,225
Effect of accounting change (Note 4)	5,969	-	-	5,969
Retained Earnings and Fund Balances - Beginning of fiscal year - restated	302,721	52,454	10,614,019	10,969,195
Equity transfers from other funds	54,723	137	-	54,861
Equity transfers to other funds	(53,027)	(1,143)	-	(54,170)
Contributed capital - fixed assets	-	768	-	768
Retained Earnings and Fund Balances - End of fiscal year	$ 343,413	$ 60,829	$11,967,917	$12,372,159

The accompanying notes are an integral part of the financial statements.

STATE OF MICHIGAN
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST FUNDS	TOTALS (MEMORANDUM ONLY)
SOURCES OF FUNDS:				
From operations:				
Net income (loss)	$ 38,995	$ 8,612	$ 1,353,897	$ 1,401,505
Items not requiring (providing) working capital:				
Depreciation	3,783	11,290	-	15,074
Compensated absences - long-term portion	467	331	-	798
Increase in long-term prize awards	102,776	-	-	102,776
Disability claims - long-term portion	-	5,158	-	5,158
Provision for losses on loans	6,945	-	-	6,945
Amortization of deferred items (net)	17,533	-	-	17,533
Loss (gain) on disposal of fixed assets	15	574	-	589
Contributed fixed assets included in operating transfers	(1,199)	-	-	(1,199)
Working Capital Provided (Used) from Operations	169,316	25,967	1,353,897	1,549,181
From other sources:				
Proceeds from bonds and notes sold	813,729	-	-	813,729
Principal repayments on loans	147,416	-	-	147,416
Increase in long-term deferred revenues	368	242	-	610
Sale of fixed assets	-	2,916	-	2,916
Decrease in noncurrent investments (net)	24,599	-	512	25,111
Working capital provided by equity transfers in	67,815	137	-	67,953
Increase in long-term lease obligations	999	-	-	999
Increase in other long-term liabilities	50	-	-	50
Contributed capital - fixed assets	-	768	-	768
Total Sources (Uses) of Funds	$ 1,224,296	$ 30,032	$ 1,354,409	$ 2,608,738
APPLICATION OF FUNDS:				
Increase in noncurrent investments (net)	$ 547,809	$ -	$ 206,116	$ 753,926
New loans issued	406,109	-	-	406,109
Decrease in long-term bonds and notes payable	153,391	-	-	153,391
Decrease in long-term prize awards payable	23,460	-	-	23,460
Increase in other noncurrent assets	22,401	10,532	-	32,933
Additions to fixed assets	3,070	37,958	-	41,029
Reduction in long-term lease obligation	-	15	-	15
Working capital used for equity transfers out	66,119	1,143	-	67,262
Net increase (decrease) in working capital	1,933	(19,616)	1,148,292	1,130,609
Total Application of Funds	$ 1,224,296	$ 30,032	$ 1,354,409	$ 2,608,738
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and cash equivalents	$ (18,984)	$ (1,099)	$ -	$ (20,084)
Equity in Common Cash	(32,089)	14,526	7,466	(10,096)
Amounts due from other funds	(16)	(54)	(5,136)	(5,207)
Amounts due from federal agencies	(3,193)	-	-	(3,193)
Amounts due from local units	-	(1)	5,199	5,198
Inventories	(12,297)	2,084	-	(10,213)
Investments	3,018	-	1,402,466	1,405,485
Other current assets	20,823	(595)	(3,904)	16,322
Warrants outstanding	(5,322)	(486)	(5,480)	(11,289)
Accounts payable and other liabilities	2,022	(10,739)	(252,318)	(261,035)
Amounts due to other funds	452	4	-	456
Bonds and notes payable - current	79,023	-	-	79,023
Interest payable	(10,045)	-	-	(10,045)
Deferred revenue	(4,882)	(23,255)	-	(28,137)
Escrow funds	(16,575)	-	-	(16,575)
Net Increase (Decrease) in Working Capital	$ 1,933	$ (19,616)	$ 1,148,292	$ 1,130,609

The accompanying notes are an integral part of the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the State conform in all material respects to generally accepted accounting principles as applicable to governments except for the omission of the activities of the Michigan Unemployment Compensation Fund, which is described below. The following is a summary of the more significant policies:

A. Reporting Entity

The National Council on Governmental Accounting (NCGA) Statement 3, continuing in force under the Governmental Accounting Standards Board (GASB), establishes the criteria to be used in determining which organizations should be included in these financial statements. NCGA Statement 3 requires the inclusion of the financial transactions of all government organizations for which the State has the ability to exercise significant oversight. The extent of oversight responsibility is based upon several criteria including: selection of governing authority, designation of management, the ability of the State to significantly influence operations, financial interdependency and accountability for fiscal matters including the level of State financing and/or moral or legal responsibility for the long-term debt of the organizations. Based upon this criteria, the following component units are included in this report:

Governmental Fund Types	Proprietary Fund Types
State Building Authority	Michigan State Hospital Finance Authority
Michigan Higher Education Facilities Authority	Michigan Higher Education Student Loan Authority
Michigan Family Farm Development Authority	Michigan Higher Education Assistance Authority
Mackinac Bridge Authority	Mackinac Island State Park Commission
	Michigan Strategic Fund
	Michigan State Housing Development Authority

The Michigan Unemployment Compensation Fund (MUCF) of the Michigan Employment Security Commission (MESC) meets the criteria for inclusion, but it has not been included because audited financial statements prepared in accordance with generally accepted accounting principles are not available. Two other funds of the MESC are included. These are the Michigan Employment Security Act Administration Fund (a special revenue fund), and the Michigan Employment Security Act Contingency Fund (a trust fund). See Note #18 for additional disclosure regarding long-term liabilities of the MUCF.

The Michigan Municipal Bond Authority (MMBA) is a new entity, created by Public Act 227 of 1985. The MMBA assists local units in the creation and marketing of municipal debt. As explained more fully in Note #16, the MMBA issues limited obligation debt on behalf of the local units by pooling their borrowing needs. The administrative costs of the MMBA are appropriated and recorded in the State General Fund.

The Michigan Strategic Fund (MSF) was created by Public Act 270 of 1984 as of October 1, 1985. The Michigan Job Development and Economic Development Authorities were dissolved and were merged into the MSF. Equity transfers were used to transfer balances from the dissolved authorities to the new entity (See Note 1, part G.)

The Michigan State Accident Fund (MSAF) may meet the criteria for inclusion in the reporting entity. A final determination has, however, been delayed because MSAF has entered into legal proceedings challenging the level of State control over their operations. The MSAF has, therefore, not been included, in its entirety, in this report. The State currently accounts for a portion of the investments of the MSAF within its own accounting system. This portion is included as an expendable trust fund titled the "Michigan State Accident Fund." A separately issued financial report is available upon request from the MSAF.

Public institutions of higher education have been excluded from these statements. Community colleges are excluded because they are local units of government. Other public institutions have been excluded based upon an application of the manifestations of oversight criteria of NCGA Statement 3. By State Constitution, law, and practice the institutions have been made autonomous and the degree of State oversight is so remote that it is deemed most appropriate not to reflect them as part of the entity. The following summarizes the evaluation of the manifestations of oversight: (a) the three largest institutions' governing boards are selected by the electorate and State officials do not maintain significant continuing relationships with the other institutions' boards; (b) institution employees are not part of the State's classified civil service; (c) management is not appointed by the State; (d) the State does not establish or control the budgets; (e) the State is not responsible for debts or deficits; (f) assets are held in the name of the institutions; (g) each institution maintains its own accounting records, investments, and bank accounts (h) each issues its own financial statements which are audited by outside accounting

Note 1 continued on next page.

firms selected by the institution; (i) the institutions have significant non-state revenues. The State grants to the institutions are generally unrestricted in that each institution determines how the money is used, although in some cases the State makes grants for specific programs. In the operating statements, these grants are classified as "Education" expenditures of the funds making grants.

The court system components included as part of the State oversight entity include: the Michigan Supreme Court, the Michigan Court of Appeals, the Court of Claims, the 36th District Court, and the Wayne County Circuit Court. The financial transactions of these courts are included in the General Fund. Other circuit courts, district courts, and probate courts are considered local units of government activities and they have been excluded from these statements.

The International Bridge Authority at Sault Ste. Marie, Michigan is a joint venture of the State and the Canadian governments. The authority is governed by a commission made up of five members, three from the State and two from Canada. Toll revenues are used to finance the cost of operating and maintaining the bridge as well as to cover debt service requirements. Budgetary and financial control over the authority is the responsibility of the commission. The following is summary financial information for the Authority as of its fiscal years ended August 31 (in thousands):

	1986	1985
Current Assets	$1,451	$1,496
Current Liabilities	766	544
Total Equity	685	953
Total Revenues	2,722	2,591
Total Expenditures	2,989	2,711
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(267)	(119)
Fixed Assets (cost)	2,761	2,478
Long-Term Debt (Bonds Payable)	7,850	7,850

B. Basis of Presentation

With the exception of component unit statements added pursuant to NCGA Statement 3, the financial transactions of the State are recorded in individual funds in the State's central accounting system. The various funds and units, as more fully explained in Note #2, are combined into the various fund types described below:

GOVERNMENTAL FUND TYPES

General Fund: The General Fund is the State's primary operating fund. It is used to account for general purpose financial resources and those restricted revenues which are not required to be accounted for in separate funds.

Special Revenue Funds: This fund group includes operating funds and component unit activities which account for the proceeds of certain specific revenue sources that are legally restricted for specified purposes.

Capital Project Funds: Funds and component units which account for the acquisition or construction of major State capital facilities financed by bond proceeds are reported in this fund group.

Debt Service Funds: This group accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

PROPRIETARY FUND TYPES

Enterprise Funds: This fund group includes component units and funds whose operations and finances are accounted for in a manner similar to private business enterprises. For this group, it is the intent of the State that: (a) the costs (i.e., expenses, including depreciation) of providing goods or services to the general public be financed primarily by user charges; or (b) "net income" be periodically determined and used as appropriate for capital maintenance, management control, or other purposes.

Internal Service Funds: This group is similar to enterprise funds except that the goods or services are provided primarily to other agencies or funds of the State, rather than to the general public.

Note 1 continued on next page.

FIDUCIARY FUND TYPES

Trust and Agency Funds: This group includes assets held by the State in a trustee or agent capacity. The group is subdivided into three subtypes: (a) pension funds which are accounted for in the manner similar to proprietary funds; (b) expendable trust funds, which are accounted for in a manner similar to governmental funds; and (c) agency funds which are purely custodial in nature and for which asset and liability balances, but not operating results, are included in the general purpose financial statements.

ACCOUNT GROUPS

General Fixed Assets Group: This group of accounts is used to account for fixed assets (i.e., land, buildings, and equipment) owned by the State, except for assets of proprietary fund types which are recorded directly in the fund.

General Long-term Obligations Group: This group accounts for all of the long-term obligations of the State, except for those accounted for directly in a fund.

TOTALS (MEMORANDUM ONLY)

Amounts in the "total - memorandum only" columns represent summations of the fund types and account groups and are presented only for analytical purposes. The summations include fund types and account groups that use different bases of accounting, interfund transactions that have not been eliminated, and the caption "amounts to be provided," which is not an asset in the usual sense. Consequently, amounts shown in the "total - memorandum only" columns are not comparable to a consolidation.

C. Basis of Accounting

The governmental fund types, expendable trust funds, and agency funds are accounted for on the modified accrual basis of accounting. There are some departures from the modified accrual basis for statutory/budgetary purposes. The nature of these departures is such that they affect how operating results are reported, but they do not cause a difference in the balance sheet or in the calculation of unreserved fund balance. This is further explained in Note # 3.

The modified accrual basis emphasizes the measurement of current financial resources and obligations (i.e., "financial flow" focus). Therefore, fund revenues and other financing sources are recorded when financial resources become "available" to fund current liabilities; expenditures are recorded when financial obligations (other than general long-term obligations) are incurred.

The proprietary fund types and the pension trust funds use the accrual basis of accounting. The accrual basis emphasizes the measurement of "net income," (i.e., "capital maintenance" focus). Using this basis, revenues are recognized when "earned" and expenses are recognized when "incurred." All financial resources and obligations of the fund, whether current or noncurrent, are recorded in the fund.

The primary effects of the differences in these bases are:

(1) For governmental fund types, most long-term liabilities are reported in the general long-term obligations account group rather than as fund liabilities. The proceeds of long-term borrowings result in increases to fund balance because "other financing sources" are credited to the fund. Fund liabilities related to general long-term obligations are recognized when they become "due and payable."

(2) Fixed asset acquisitions are recorded as expenditures of governmental fund types in the year acquired. Such assets are capitalized in proprietary fund types, with depreciation expense recognized over the life of the asset.

(3) In governmental funds, accrued revenue receivable which is not "available" is recorded as deferred revenue. Other noncurrent assets result in reservations of fund balance. Such deferrals and reserves are usually not reflected in proprietary type funds.

Note 1 continued on next page.

D. Fiscal Year-Ends

All funds and component units are reported using fiscal years which end on September 30, except for three component units. Two component units with June 30 year-ends are the Michigan State Housing Development Authority (enterprise) and the Michigan State Hospital Finance Authority (enterprise). The Mackinac Bridge Authority (special revenue and debt service) has a December 31 year-end, but it publishes audited financial statements semi-annually and the amounts reported in its June 30 statements are the amounts reflected in this report.

E. Assets, Liabilities, and Fund Equity

Equity in Common Cash: The State Treasurer maintains centralized management of most State cash resources (not including component units added pursuant to Statement 3). The operations of the common cash pool are described in Note #5 to these statements.

Taxes Receivable: Tax revenue is accrued to the extent that it is both measurable and available. The State's application of measurability and availability criteria to taxes is described in Note #6.

Amounts Due From Federal Agencies: For most federally funded programs, such as matching grants, revenue is accrued so that revenue is recognized in the same period as related obligations. In certain programs financed entirely by the federal government, expenditures and related revenues are recognized only to the extent of billings received by fiscal year end. This treatment, which is generally limited to certain programs within the Department of Education, understates both assets and liabilities and there is no impact on fund balance.

Inventories: Inventories are valued at cost, primarily using a first-in, first-out flow assumption, and expenditures/expenses are recognized using the consumption method (i.e., when used or sold).

Investments: Equity securities are stated at cost and debt securities are stated at amortized cost. Market value information is provided in Note #10.

Property, Plant, and Equipment: General fixed assets are recorded at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In assembling the General Fixed Assets Account Group for the first time in 1985, certain fixed asset costs were not available; historical costs of these assets at the dates of acquisitions have been estimated. Expenditures of the governmental fund types which materially extend the useful life of existing fixed assets are capitalized.

Infrastructure ("public domain") fixed assets such as undeveloped State owned lands, roads, and bridges are not capitalized. Interest incurred during construction is not capitalized and depreciation is not provided on general fixed assets.

Assets of proprietary funds are capitalized at cost upon acquisition and depreciation expense on buildings and equipment is recorded over the expected life of the assets. Depreciation is calculated using the straightline method, except for automotive equipment in the Motor Transportation Revolving Fund (an internal service fund) which is depreciated using the 150% declining balance method.

Additional disclosures related to fixed assets and assets acquired through capital leasing are provided in Notes #12 and #17, respectively.

Warrants Outstanding: Warrants outstanding represent drafts issued against the State Treasurer which have not yet cleared. These are somewhat similar to outstanding checks; however, cash is not reduced until the warrant is redeemed.

Income Tax Refunds Payable: The amount of collected or accrued personal income tax revenues that will be refunded is estimated and accrued as a General Fund liability. As explained more fully in Note #3, the majority of this liability was not accrued in the budgetary basis calculation of fund balance prior to this fiscal year. Note #8 explains the significant impact that tax credit programs have on the amounts being accrued.

Note 1 continued on next page.

Deferred Revenue: Deferred revenue is recognized when cash, receivables, or other assets are received or recognized prior to their being earned or available. Unearned revenue deferrals are classified with current liabilities; unavailable revenue deferrals are classified as short-term or long-term based upon whether the related receivable is due within 12 months.

Long-Term Liabilities: General long-term obligations which are not reported as fund liabilities are reported in the general long-term obligations account group. The group, which is more fully described in Note #16, includes general obligation and revenue dedicated bonds, compensated absences and judgments, workers' compensation, early retirement program, and unemployment compensation fund interest deferral liabilities related to the funds accounted for on the modified accrual basis. These liabilities result in fund expenditures when they become "due and payable."

Long-term liabilities of the proprietary funds are recognized in the funds, except for the portions of the workers' compensation liability for which fund distribution is not reasonably estimable. The long-term debts of these funds are more fully explained in Note # 19.

Liabilities from capitalizable leases, which NCGA Statement 5 requires to be recorded upon lease inception, are explained more fully in Note #17.

Fund Equity: Fund equity represents the difference between fund assets and fund liabilities. The governmental and fiduciary funds' fund equity is called "fund balance." The fund equity of proprietary funds is called "retained earnings." Contributed capital has not been separately recorded in the proprietary funds because the amounts involved are immaterial.

Fund Balance Reservations: Fund balances for all governmental funds are classified as either reserved or unreserved. Reserved fund balances reflect either: 1) funds legally segregated for a specific use or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for expenditure for the general purposes of the fund. Details related to the make-up of reserved fund balances are reported in Note #24.

As more fully explained in Note #24, certain assets for which the State is acting in a trustee capacity are accounted for in expendable trust funds. These funds' unreserved balances represent net assets held by the State on behalf of others. Major funds of this nature include the Municipal Employees' Retirement Fund, State Employees' Deferred Compensation Funds I and II, and the Michigan State Accident Fund. In funds such as these, liabilities are recognized when disbursements to the funds' beneficiaries become "due and payable."

F. Revenues, Expenditures, Encumbrances, Expenses, and Other Financing Sources and Uses

Revenues: Revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance.

Revenues of governmental funds that accrue to the State independent of when expenditures are incurred by the State (such as taxes, licenses, and permits) are considered "available" when the payer incurs the obligation to the State before year-end and payment is received within 60 days. Delinquent taxes receivables are the only significant departure from the above (see Note #6). Revenue which the State earns by incurring obligations (such as matching federal grants) are generally recognized in the same period that the related obligations are recognized. Such accrued revenue is considered available even if it is not received within 60 days. This method provides improved reporting and control at the program level because it appropriately matches funding sources and uses.

Expenditures: Expenditures are reported by character: "Current," "Capital outlay," "Intergovernmental revenue sharing," or "Debt service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Capital outlay includes expenditures for real property or infrastructure (e.g. highways). Intergovernmental revenue sharing is used to account for the distribution of certain tax revenues which are shared with local units based upon statutory requirements. Debt service includes both interest and principal outlays related to bonds accounted for in the general long-term obligations account group and payments on capitalized leases.

Note 1 continued on next page.

Encumbrances: Encumbrances are recorded only to the extent that spending authority carry-over is allowed or required for budgetary purposes. Noncapital outlay encumbrances qualify for carry-over only if the encumbrance is for a legal obligation that was entered into prior to September 16; capital outlay encumbrances can be entered into thru September 30. Encumbrances for services carry-over only if the contract is for a nonrecurring item. Encumbrance contracts for goods that specify delivery after September 30 do not qualify for carry-over and encumbered amounts in excess of line-item spending authority are not recognized.

The above criteria for allowing encumbrance carry-overs is more limited, in some respects, than that used in prior years. Formerly, noncapital outlay encumbrances in excess of authorization balance were not removed and budgetary overdrafts were reported. Also, the policies defining what constitutes a "recurring" encumbrance have been somewhat refined. These changes have reduced the amount of encumbrance carry-overs allowed, but the amount involved cannot be accurately measured. Note #24 provides the amount of encumbrances recorded in the governmental fund types.

Expenses: Expenses are classified as operating or nonoperating and are subclassified by object (e.g., salaries, depreciation, and purchases for resale).

Other Financing Sources: These additions to governmental fund balances include resources and financing provided by bond proceeds, capital leases, and operating transfers from other funds.

Other Financing Uses: These are reductions of governmental fund resources, normally resulting from operating transfers to other funds.

G. Interfund Transactions

Operating Transfers: Except as described below, transactions between funds are classified as operating transfers. These include most of the routine transfers of resources between funds, such as when funds received in one fund are used to finance expenditures appropriated in another fund.

Equity Transfers: Residual equity transfers are used to record nonrecurring or nonroutine transfers of equity between funds. During 1985-86, four transfers were recorded.

Two financing authorities, the Michigan Job Development Authority (MJDA) and the Michigan Economic Development Authority (MEDA) were merged into the newly created Michigan Strategic Fund (MSF). The MSF, which is classified in the enterprise fund group, received $1.7 million from the JDA (formerly in the special revenue fund group) and $53.0 million from MEDA (formerly in the enterprise fund group).

An equity transfer resulted from the close-out of the Central Drug Repackaging Revolving Fund, an internal service fund. The equity remaining in the fund, $1.0 million, was transferred to the general fund.

The establishment of the new Telecommunications Revolving Fund resulted in an equity transfer of $.1 million between that fund and the Office Services Revolving Fund, both internal service funds. The Office Services Revolving Fund had formally accounted for certain activities now included in the new fund. The new fund assumed responsibility for the amount of prior year operating deficits related to those activities.

The State Constitution was amended in November 1984 to provide for a Michigan Natural Resources Trust Fund, a special revenue fund. The Heritage Trust Fund, an agency fund, was merged into the new fund on October 1, 1985.

Public Act 73 of 1986 created a new fund, the Game and Fish Protection Trust Fund (special revenue). Equity of $8.9 million, which was formerly recorded in the Michigan Natural Resources Trust Fund (special revenue), was transferred by the act to the new fund.

Reimbursements: The reimbursement method reclassifies expenditures/expenses from the fund originally making a disbursement to the fund in which the expenditure/expense is more properly attributable.

Quasi - External Transactions: Certain interfund transactions are recorded as if they were occurring with an outside entity. Internal service, certain expendable trust funds, and pension trust fund revenues are reported using this method.

NOTE 2 -- FUNDS BY CLASSIFICATION

The following table lists all of the funds and component units which make up the various fund types as of September 30, 1986. Component units which would not have been considered part of the State reporting entity prior to implementation of NCGA Statement 3 are identified by "(cu)." Funds which are subject to annual appropriation and for which statements comparing budget to actual are included in this report are identified by an "*" (see Note #3).

General Fund*

Special Revenue Funds:

Transportation Related:

- State Aeronautics Fund*
- State Trunkline Fund*
- Michigan Transportation Fund*
- Comprehensive Transportation Fund*
- Comprehensive Transportation Bond Construction Fund
- 1983 State Trunkline Fund Bond Proceeds Fund
- 1984 Comprehensive Transportation Bond Proceeds Fund
- 1984 State Trunkline Fund Bond Proceeds Fund

Conservation and Recreation Related:

- Game and Fish Protection Fund*
- Michigan State Waterways Fund*
- Marine Safety Fund*
- Game and Fish Protection Trust Fund
- State Park Improvement Fund*
- Michigan Natural Resources Trust Fund*
- Water Pollution Control Bond Fund
- Michigan Nongame Fish and Wildlife Fund*

Regulatory and Administrative Related:

- Michigan Employment Security Act - Administration Fund
- Motor Vehicle Accident Claims Fund*
- Safety Education and Training Fund*
- State Construction Code Fund*
- Michigan Justice Training Fund*
- Homeowner Construction Lien Recovery Fund

Other Oversight Entity Funds:

- Counter-Cyclical Budget and Economic Stabilization Fund*
- Michigan Veterans' Benefit (Trust) Fund*
- School Aid Fund*
- Vietnam Veteran Era Bonus Fund
- School Bond Loan Fund
- Children's Trust Fund*

Component Units:

- State Building Authority (cu)
- Michigan Higher Education Facilities Authority (cu)
- Michigan Family Farm Development Authority (cu)
- Mackinac Bridge Authority (cu)

Debt Service Funds:

Comprehensive Transportation Related Funds:

- Comprehensive Transportation Bond and Interest Redemption Fund
- 1984 Comprehensive Transportation Bond and Interest Redemption Fund
- 1986 Comprehensive Transportation Refunding Bond and Interest Redemption Fund
- 1986 Comprehensive Transportation Refunding Bond Proceeds Fund

State Trunkline Related Funds:

- 1983 State Trunkline Fund Bond and Interest Redemption Fund
- 1984 State Trunkline Fund Bond and Interest Redemption Fund
- 1986 State Trunkline Refunding Bond and Interest Redemption Fund
- 1986 State Trunkline Refunding Bond Proceeds Fund
- Michigan Trunkline Bond and Interest Redemption Fund - Series II thru IX

Other Oversight Entity Funds:

- Water Pollution Control Bond and Interest Redemption Fund
- Public Recreation Bond and Interest Redemption Fund
- Vietnam Veteran Era Bonus Bond Redemption Fund
- School Loan Bond Redemption Fund
- State Park Revenue Bond Fund

Component Unit Related:

- State Building Authority (cu)
- Mackinac Bridge Authority (cu)

Capital Projects Funds:

- Public Recreation Bond Fund
- State Building Authority (cu)

Note 2 continued on next page.

Enterprise Funds:
- State Oversight Entity Funds:
  - Liquor Purchase Revolving Fund
  - State Lottery Fund
  - Michigan State Fair Revolving Fund
  - Department of Natural Resources Magazine Fund
- Component Units:
  - Michigan State Hospital Finance Authority (cu)
  - Michigan Higher Education Student Loan Authority (cu)
  - Michigan Higher Education Assistance Authority (cu)
  - Mackinac Island State Park Commission (cu)
  - Michigan Strategic Fund (cu)
  - Michigan State Housing Development Authority (cu)

Internal Service Funds:
- Correctional Industries Revolving Fund
- Federal Surplus Revolving Fund
- Motor Transport Revolving Fund
- Office Services Revolving Fund
- Telecommunications Revolving Fund
- State Sponsored Group Insurance Fund

Trust Funds:
- Pension Related:
  - Legislative Retirement Fund
  - State Police Pension, Accident, and Disability Fund
  - State Employees' Retirement Fund
  - Public School Employees' Retirement Fund
  - Probate Judges' Retirement Fund
  - Judges' Retirement Fund
- Expendable Trust Funds:
  - Michigan Employment Security Act Contingency Fund
  - Michigan State Accident Fund (See Note 1A)
  - Second Injury Fund
  - Municipal Employees' Retirement Fund
  - State Employees' Deferred Compensation Fund I (457)
  - State Employees' Deferred Compensation Fund II (401k)
  - Transportation Related Trust Funds
  - Miscellaneous Trust Accounts Fund

Agency Funds:
- Receipts Clearing Fund
- Metropolitan Planning Fund
- Contribution Fund (Social Security)
- Airport Authorities Facilities Improvement Trust Fund
- School Emergency Loan Revolving Fund
- Hazardous and Solid Waste Disposal Facilities Closure Guarantee Fund

NOTE 3 — BUDGETING AND BUDGETARY CONTROL

A. Major Constitutional and Statutory Provisions - Oversight Entity

Balanced Budget: Article V of the State Constitution mandates that the executive budget recommend spending limits per operating fund to the Legislature that are within available resources. Article IV of the State Constitution mandates the Legislature to enact appropriations for a fund that do not exceed that fund's revenue estimates. When it appears that revenue will fall below the estimates on which the appropriations are based, the Governor is to recommend spending reductions as necessary to avoid a year-end deficit.

Revenue Limits: Article IX, Section 26 of the State Constitution restricts State revenues to a ceiling based upon revenues as a proportion of personal income. It further provides that State revenues (other than federal aid and revenues for payment of principal and interest on general obligation bonds) in any fiscal year are limited to a percentage (approximately 10%) of State personal income in the prior calendar year or that percentage of the average State personal income in the previous 3 calendar years, whichever is greater. If revenues exceed the revenue limitation by 1 percent or more, the entire amount of such excess is to be rebated to personal income and single business taxpayers. Any excess of less than 1 percent may be transferred to the State's Budget Stabilization Fund; however, the Legislature is under no obligation to do so.

Legal proceedings which had been initiated last year challenging the State's compliance with this Constitutional provision have been withdrawn. The methods and calculations used in determining compliance with this section are, however, still under internal review and they will be subject to audit by the Office of the Auditor General. The Department of Management and Budget believes that the revenue ceiling has not been exceeded and that the likelihood that refunds will be required is extremely remote.

Note 3 continued on next page.

Local Spending Requirements: Article IX, section 30 requires that State spending to, or on behalf of, local units of government not fall below 41.61% of total State spending. Calculation of the percentage paid in 1985-86 is not yet complete, however, it is anticipated that payments to local units exceeded the requirement. For the fiscal year 1984-85, state spending to local units amounted to 41.92%.

Budget Stabilization Fund: The Counter-Cyclical Budget and Economic Stabilization Fund was created by Public Act 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession. In general, the law requires payments into the fund when real economic growth exceeds 2% and allows withdrawals from the fund when real economic growth is less than 0%. Funds can also be withdrawn to fund capital outlay projects.

The following summarizes the transactions for the fund for 1985-86 (in millions):

Beginning balance - unreserved	$340.9
Interest income	28.2
Transfers in	30.6
Transfers out for prison construction	(14.7)
Reserved for prison construction	(26.7)
Ending balance - unreserved	$358.3

The reserve for prison construction represents unspent spending authority for projects appropriated in the General Fund with financing to be provided by the Budget Stabilization Fund. Transfers from the reserve will be made in the future as expenditures are made.

B. Budgetary Control - Governmental Fund Types

Budgetary control processes vary significantly between programs and funds. Annual legislative appropriations and revenue estimates are provided only for "operating funds." These operating funds include the General Fund and 18 of the special revenue funds. (Note #2 identifies the operating funds.) The other funds are usually subject to some more limited form of budgetary control, such as financial plans or a limiting of expenditures to the amount of resources. The budget to actual comparative statements in this report reflect only the annually budgeted "operating funds" of the oversight entity.

Revenues: General purpose (unrestricted) revenue estimates are provided in both the original executive budget and in original legislative appropriations in order to demonstrate compliance with constitutional provisions. Public Act 431 of 1984 makes the Department of Management and Budget responsible for updating revenue projections. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with providing control to related expenditure accounts.

Spending: The level and method of control provided over spending varies significantly between funds and programs. However, most spending authorizations are broken down into object categories (e.g., salaries) by organizational subunits (e.g. divisions) of departments. If a department wishes to transfer spending authority from one account to another, it must, generally, receive legislative approval. Expansion of total spending authority usually requires a supplemental appropriation. For programs financed from restricted revenues, spending authorizations are, generally, contingent upon receipt of the related revenue. If revenues fall short of estimates, authorizations are proportionately reduced. If revenues exceed the estimate, supplemental appropriations are usually required before they can be spent. In the event that expenditures exceed authorization during a year, the department must request a supplemental appropriation (carry back) for the amount overspent.

Budgetary control of spending is maintained by the central accounting system at the appropriation account level. Spending authority accounts are at a level of detail which makes it infeasible to include a comparison of budget to actual at the level of budgetary control in the State's Comprehensive Annual Financial Report. A separate report is published by the Department of Management and Budget detailing the disposition of authorizations at the spending account level.

Note 3 continued on next page.

C. Statutory/Budgetary Presentation

In the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue Funds", expenditures, operating transfers, and encumbrances are combined and classified by department, rather than being reported by character and function as shown in the GAAP statements. This departmental classification is used to better reflect organizational responsibility and to be more consistent with the budgetary process. Generally accepted accounting principles require that the final legal budget be reflected in the "budget" column, therefore the updated revenue estimates as of November 30, rather than the amounts shown in the original budget, are reported. This is consistent with the deadline in Public Act 431 of 1984, which permits budget adjustments by the Legislature through 60 days after year-end.

The expenditures budget column represents original and supplemental authorizations as adjusted for carry-backs, executive order reductions, approved transfers, restricted revenue shortfall adjustments, and timing differences. The timing differences primarily result from authorizations for multi-year projects, such as capital outlay and work projects, which are provided for a period of more than one year. Such authorization balances remaining at year-end are removed from the budget column so as to provide an "annualized" budget. "Favorable variances" generally reflect unused general purpose spending authority ("lapses") and/or unused restricted revenue authority which carries over as a reservation of fund balance; "unfavorable variances" reflect budgetary overdrafts. If both favorable and unfavorable variances exist for a particular line, the amount shown is the net variance.

D. Statutory/Budgetary Reconciliation - General Fund and Special Revenue Funds

The statutory/budgetary basis presentation differs from GAAP in ways that do not affect ending fund balance:

Encumbrances: As explained in Note #1, the State records encumbrances if they meet certain limiting criteria. The recorded encumbrances are considered uses of spending authority in the year entered into and sources of spending authority in subsequent years. This carry-over of spending authority is recorded as a reservation of fund balance on both bases of accounting.

Capital leases: For budgetary purposes, capitalizable lease expenditures are recognized when payments are due, rather than upon lease inception as required by GAAP. This difference does not affect fund balance because the "other financing sources" recorded under GAAP at lease inception are not recorded on the statutory/budgetary basis.

Change in Statutory/Budgetary Basis for Accrual of Tax Refund Liabilities

In prior fiscal years, the State budgetary calculation of unreserved fund balance departed from GAAP in that not all of the liability for income tax refunds was recorded. For budgetary purposes, tax refund liabilities were recognized only for refunds made through November 30 of the subsequent fiscal year. The estimated liability for refunds to be made after November 30 was recorded only in the GAAP basis statements. Beginning in fiscal year 1982-83, a portion of the cigarette tax (10¢ per package) and a temporary income tax increase (.25%) were restricted for the purpose of funding the estimated income tax refund liability and other deviations from GAAP which existed at that time.

The State Treasurer declared that, as of November 30, 1985, sufficient reserves had been accumulated to allow the recording of the estimated income tax refund liability, which was the only remaining GAAP departure. This resulted in the elimination of the restriction on the cigarette tax and the expiration of the temporary income tax rate on December 1, 1985.

The total income tax refund liability, as of September 30, 1986, was $831.3 million. Of this, the amount of the estimated income tax refund liability which was accrued for the first time was $805.6 million. The amount of the unrecorded liability, as of September 30, 1985 ($701.0 million), was recorded as a beginning balance adjustment in the budgetary accounting records and the amount that had been accumulated in the special reservation of fund balance ("working capital reserve account") was unrestricted. Because this change was recorded as a beginning balance adjustment, revenues for fiscal year 1985-86 are the same amount for both GAAP and budgetary purposes.

Note 3 continued on next page.

E. Budgetary Overdrafts

The following summarizes line-item overexpenditures (in thousands) of oversight entity funds incurred during the year:

General Fund	
Legislative	$ 30
Judicial	3,387
Treasury	2
Public Health	3,230
Mental Health	2,090
Social Services	95,754
Corrections	659
State Police	35
Commerce	27
Labor	2,999
Licensing and Regulation	283
Natural Resources	2,716
Agriculture	651
Items Not Assigned to Departments	121
General Fund Total	$111,990
Special Revenue Funds	
Game and Fish Protection Fund	$ 4,188
State Trunkline Fund	989
Michigan State Waterways Fund	2
Marine Safety Fund	44
Michigan Natural Resources Trust Fund	441
Special Revenue Funds Total	$ 5,667

NOTE 4 -- ACCOUNTING CHANGES

Reclassification of the State Lottery Fund

Effective with the beginning of this fiscal year, the State Lottery Fund was reclassified from the special revenue fund group to the enterprise fund group. This change was made because of the growing use of long-term self funded deferred prize awards and to bring the State into accord with the accounting practices of most other States with respect to the reporting for lottery operations. The effect of the accounting change as of October 1, 1985 was to decrease special revenue fund current assets ($64.7 million), long-term investments ($76.6 million), short-term liabilities ($32.7 million), long-term liabilities ($107.5 million), and fund balances ($1.1 million). Assets and liabilities of the enterprise fund were recorded for like amounts, except for the effects of capitalizing fixed assets ($6.6 million) and recording liabilities for employees' compensated absences ($0.8 million). The beginning balance restatement of enterprise fund retained earnings amounted to a $5.9 million increase. The cost of fixed assets of the fund which were previously recorded in the general fixed assets group have been removed from the group.

Transfers to the School Aid Fund are now based upon "net income", whereas in the past the transfer was made in the amount of available unreserved fund balance. Net income for the year ended September 30, 1986 and the amount transferred to the School Aid Fund are approximately $1.8 million lower than they would have been had the fund classification not been changed. Additional information on the fund's operations and ending balances for 1985-86 is provided in the segment information note #25.

Reserves for General Fund Capital Outlay Carry-overs

Appropriations for capital outlay projects (such as for building construction) are frequently provided for periods of time extending beyond one year, with unused appropriations carrying over until the project is complete. Beginning with fiscal year 1980-81, the State stopped recording these carry-overs as fund balance reservations in the General Fund and future years' revenues were used to fund the balances remaining on the projects.

Note 4 continued on next page.

This year, the practice of reserving these carry-overs in the General Fund has been resumed. Public Act 431 of 1984 section 494 (3) states: "When the state budget director determines that sufficient revenues exist, a capital outlay reserve shall be established. After a capital outlay reserve is established, the capital outlay reserve shall not be used to balance any deficit." The state budget director determined that the financial condition of the State was sufficiently sound to allow the recording of this reserve at the end of this fiscal year. This change is reflected in these statements. The effect of this change was to reduce unreserved General Fund balance by $152.6 million, as compared to $59.9 million of such authorizations which were not reserved at September 30, 1985. The effect of this change is to fund such authorizations in the year in which they are made, rather than in the year in which obligations are incurred.

Single Purpose Special Revenue Fund Reserves

Certain nonappropriated single purpose special revenue funds, which were formerly reported as fully reserved, are this year reported as unreserved. This change in fund balance classification was made in order to bring these funds into better conformity with the State's general accounting policies with respect to fund balance reservations. The effect of this reclassification was to increase special revenue funds' unreserved fund balances and decrease reserved fund balances by $81.2 million. The corresponding amounts in the prior fiscal year totalled $93.1 million.

NOTE 5 -- STATE TREASURER'S COMMON CASH

The State Treasurer manages the State's common cash pool, which is used by all State funds except certain trust funds and component units. Investments of the pool are not segregated by State fund, rather, each contributing fund's balance is treated as equity in the pool, which is recorded in separate accounts within the General Fund. Many funds, including the State retirement funds, use their equity in the pool as a short-term investment vehicle. The State Treasurer annually publishes the "Annual Report of the State Treasurer" which includes audited financial schedules.

In the State's Comprehensive Annual Financial Report, the pooled cash is not reported as a separate fund, rather, each fund's balance in the pool is reported on the balance sheet on the lines "Equity in Common Cash" or "Liability to Common Cash." Accrued earnings of the pool are recorded as "other assets" in the General Fund and accrued distributions for the quarter ending September 30 are reflected as interfund receivables and payables. Interest revenues on positive balances and interest charges on negative balances are reflected as revenues or expenditures/expenses of each of the participating funds using the reimbursement method.

Whether a particular fund receives or pays interest on its balances in the pool is determined by statute or administrative policy. If a fund does not receive or pay interest, the General Fund receives or absorbs such charges. Earnings on positive balances and charges on negative balances are allocated quarterly based upon the average daily balances of the various funds and the average investment earnings rate for the quarter. The State Treasurer invests excess cash in short-term investments, primarily prime commercial paper. The Treasurer is not prohibited by law from entering into repurchase agreements, however, the Treasurer did not use these agreements in managing the pool in 1985-86.

The statutes creating the fund have been amended to provide for three special investment programs as follows:

Emergency Loans to Municipalities: The State Treasurer may invest not more than $5 million in any particular fiscal year in municipal bonds of financially troubled State cities.

Chrysler Corporation Mortgage: In 1980, the State made a loan of $150 million to the Chrysler Corporation which was secured by a mortgage on industrial property. During 1985-86, the balance on the mortgage was paid in full.

Farm Loan Program: Created in 1985, this program permits the State Treasurer to invest up to $139 million in below market rate certificates of deposits and notes of financial institutions for the purpose of providing the financial institutions with funds to lend, at the financial institution's risk, to qualified farm operations. Repayment to the State by the financial institution is not conditioned upon repayment of the loan to the financial institution by the farmer and loans to financial institutions are fully collateralized. Under this program, rates charged to the financial institutions are set for 90 day periods at 2 percentage points below the 30-day Treasury bill auction rate. All loans to the financial institutions become due under the statute no later than September 30, 1987.

Note 5 continued on next page.

A new program, providing $200 million in special deposits with financial institutions which make disaster relief loans to farmers, is being implemented in 1986-87.

For all of the above programs, earnings or principal increases or losses accrue only to the General Fund. There have been no principal losses because of these to date.

The following schedule of assets and equities (in millions) is a summary of the common cash pool as of September 30.

ASSETS	1986	1985
Cash on hand	$ .2	$ -
Cash in banks -- demand deposits	65.4	97.8
Cash in banks -- time deposits	61.3	19.5
Cash in banks -- farm loan program	132.5	131.1
Prime commercial paper--at cost	2,259.3	1,764.7
U.S. Treasury Bonds--at cost	5.1	5.1
Municipal bonds -- at cost	11.2	10.8
Mortgages -- at cost	-	100.0
Total assets	$2,535.2	$2,129.3
EQUITIES		
Fund equities in common cash	2,641.1	$2,225.2
Fund liabilities to common cash	(117.5)	(106.7)
Imprest cash and other items	11.6	10.8
Net fund equities	$2,535.2	$2,129.3

The market value of prime commercial paper at September 30, 1986 and 1985 was $2,268.6 and $1,775.8 million, respectively.

NOTE 6 -- TAXES RECEIVABLE

In general, taxes receivable represent amounts due to the State at September 30 that were received by the State within approximately 60 days. Sales, use, and income taxes are accrued to the extent that the related sales or wage payments occurred prior to October 1 and the State receives deposits prior to December 1. Annual tax payments (e.g. those filed on an annual basis) have not been accrued because they are neither reasonably estimable nor available. Single business tax revenue is similarly accrued, with receipts through early December (i.e., quarterly filings are due November 30) recognized as revenue to the extent that the activities being taxed occurred prior to October 1. The telephone and telegraph taxes are due December 1 and are received at approximately that time. Delinquent taxes are recognized to the extent that they will be collected within 12 months. Taxes receivable (amounts expressed in millions), as of September 30, consisted of the following:

	FUND TYPES				
	General	Special Revenue	Expendable Trust	1986 Total	1985 Total
Sales & Use Taxes	$ 261.5	$ 143.9	$ -	$ 405.5	$ 278.6
Individual Income Taxes	402.5	-	-	402.5	439.3
Single Business Taxes	399.6	-	-	399.6	384.7
Telephone & Telegraph Taxes	58.2	-	-	58.2	54.6
Motor Fuel Taxes	-	70.6	-	70.6	70.1
Cigarette Taxes	20.6	2.3	-	22.9	22.3
Unemployment Taxes (See note #18)	-	-	26.3	26.3	33.6
Other Taxes	22.4	-	-	22.4	27.3
Penalties and Interest	244.4	-	-	244.4	137.6
Gross Taxes Receivable	1,409.6	217.0	26.3	1,652.9	1,448.4
Less allowance for uncollectibles	(520.4)	(57.3)	-	(577.8)	(370.9)
Less taxes to be received more than 12 months after year end	(32.3)	(2.6)	(12.8)	(47.7)	(46.6)
Current Taxes Receivable	$ 856.7	$ 157.0	$ 13.5	$1,027.3	$1,030.9

NOTE 7 -- PERSONAL INCOME TAX RATE AND TAX AMNESTY PROGRAM

The State's personal income tax rate has been changing in recent years pursuant to statutory requirements and statute changes. During fiscal year 1985-86, the annualized rate was 4.77% as compared to 5.35% for 1984-85. The rate dropped from 5.35% to 5.10% on December 1, 1985 as a result of the recording of the liability for estimated income tax refunds on the budgetary basis (See Note #3). The rate was scheduled to be reduced to 4.6% as of April 1, 1986, however, collections from a tax amnesty program were partially used to fund acceleration of the scheduled reduction on a retroactive basis to January 1, 1986.

The tax amnesty program, which was created by Public Act 58 of 1986, provided for a waiver of criminal and civil penalties related to underpayment of taxes from prior fiscal years. The program, which expired on June 30, 1986, resulted in the recovery of $103.1 million.

NOTE 8 -- TAX EXPENDITURES

Individual Income Tax Credits

The Michigan Income Tax Act allows for tax credits which are applied against the computed individual income tax amount. The property tax and home heating credits may exceed an individual's tax liability and generate a payment to the individual. These credits are accounted for as a reduction of income tax revenue, similar to over withholding refunds.

Calendar year 1986 estimates and 1985 actual return credits are presented in the following table (in millions):

	CALENDAR YEAR	
	1986 Estimate	1985 Actual
Property tax credits		
General homestead	$280.0	$280.9
Senior citizens	260.0	240.9
Farmland preservation	90.0	77.6
Other	13.5	13.6
Subtotal- property tax credits	643.5	613.0
Other credits		
City income tax	29.5	28.1
College contributions	13.5	12.0
Home heating (including federal share)	36.0	38.7
Others	19.0	20.9
Total individual income tax credits	$741.5	$712.7

Of the 1986 estimated credits, $514.8 million has been established as a liability of the General Fund at September 30, 1986 and is included in the "Income Tax Refunds Payable" amount of $831.3 million.

Credits to Businesses for Supplemental Workers' Compensation Benefits

The State reimburses employers for certain supplemental workers' compensation benefits. Most employers receive their reimbursements in the form of single business or insurance premium tax credits, which are recorded as tax revenue reductions. During 1985-86, these reimbursements resulted in revenue reductions totalling $17.6 million, of which $11.3 million were in the form of single business tax credits and $6.2 million were related to insurance company premium taxes.

NOTE 9 -- AMOUNTS DUE FROM LOCAL UNITS

Wayne County Receivables

Excluded from "Amounts due from local units" are receivables from Wayne County for certain services provided through February 29, 1984. Under the terms of an agreement between the State and Wayne County, it was agreed to settle disputed amounts that had accumulated over a number of years at $89.5 million. In addition, a long-term repayment schedule was agreed to that included provisions that could result in cancellation of up to $38.56 million of the $89.5 million receivable. In 1982-83, an "allowance for loss" on amounts receivable from local units of government was established for the $89.5 million by a charge to "provision for loss on amounts due from local units."

Under the terms of the agreement, the receivable is scheduled to be repaid in yearly installments. The payments due on July 1, 1987 and 1988 will be in the amount of $8.55 million and on July 1, 1989 through 1993 in amounts of $9.35 million. If Wayne County's expenditures for certain hospitalization services exceed $3.95 million in any county fiscal year the excess amount up to $7.0 million in 1986-87, $3.5 million in 1987-88, and $2.4 million in 1988-89 may be used to offset the scheduled debt repayment. Because of the measurability and availability issues involved in this agreement, recoveries of the receivable will be recognized as a "financing source of funds" only when a final accounting of the county's expenditures for the specified services is available.

For the State fiscal year 1985-86, the entire scheduled repayment ($8.55 million) was forgiven. The following table summarizes the status of this receivable as of September 30 (in thousands):

	1986	1985
Possible Offsets.....	$12,918	$21,468
Long-term Portion.....	49,382	50,932
Current Portion.....	1,550	-
Gross Receivable.....	$63,850	$72,400

Loans to School Districts

The State has issued general obligation bonds ($27.0 million currently outstanding, including $7.5 million issued this fiscal year) to finance a program for making long-term loans to school districts. Proceeds from the sale of bonds are recorded as an "Other financing source" in the School Bond Loan Fund (a special revenue fund) and loans are recorded as expenditures of the fund as they are made. These outstanding loans receivable, which currently amount to $75.1 million of principal and $38.1 million of accrued interest, have not been recorded as fund assets because the fund to which repayments will accrue cannot be accurately determined.

The loans carry variable interest rates and there are no specific timetables for making repayments. Repayments are recorded as revenue in the School Loan Bond Redemption Fund (a debt service fund) because, by statute, repayments are first used to cover debt service requirements of the related bonds. If loan repayments are ever insufficient to cover these requirements, the General Fund is required to cover the deficiency. Excess loan repayments are transferred to the School Bond Loan Fund where they are available for making new loans.

NOTE 10 -- INVESTMENTS

The following table lists face value or original cost, unamortized premium or discount (net), amortized cost, and market value (in millions) of investments other than common cash (See Note #5) at September 30, 1986:

	FACE VALUE OR ORIGINAL COST	UNAMORTIZED PREMIUM (DISCOUNT)	AMORTIZED COST	MARKET VALUE
Special Revenue				
Current Investments				
State Building Authority	$ 11.5	$ -	$ 11.5	*
Mackinac Bridge Authority	4.6	-	4.6	*
Total Current Investments	16.1	-	16.1	
Noncurrent Investments				
Michigan Veterans' Benefit (Trust) Fund	13.1	1.1	14.2	$ 15.5
Children's Trust Fund	.6	-	.7	*
Total Noncurrent Investments	13.8	1.1	14.9	
Total Investments	$ 29.9	$ 1.1	$ 31.1	
Debt Service				
Current Investments				
State Trunkline Related Funds	$ .2	$ -	$ .1	$ .2
State Park Revenue Bond Fund	3.7	-	3.6	3.8
State Building Authority	62.2	-	62.2	*
Mackinac Bridge Authority	1.4	-	1.4	*
Total Current Investments	67.6	-	67.5	
Noncurrent Investments				
State Building Authority	82.9	-	82.9	*
Total Noncurrent Investments	82.9	-	82.9	
Total Investments	$ 150.5	$ -	$ 150.4	
Capital Projects				
Current Investments				
State Building Authority	$ 13.7	$ -	$ 13.7	*
Total Current Investments	13.7	-	13.7	
Noncurrent Investments				
State Building Authority	24.3	-	24.3	*
Total Noncurrent Investments	24.3	-	24.3	
Total Investments	$ 38.0	$ -	$ 38.0	
Enterprise				
Current Investments				
State Lottery Fund	$ 19.1	$ (.7)	$ 18.3	*
Michigan State Housing Development Authority	305.6	-	305.6	*
Michigan State Hospital Finance Authority	125.4	(3.6)	121.7	$ 125.0
Michigan Higher Education Student Loan Authority	11.2	-	11.2	*
Michigan Higher Education Assistance Authority	27.4	-	27.4	*
Mackinac Island State Park Commission	.1	-	.1	*
Total Current Investments	489.0	(4.4)	484.5	
Noncurrent Investments				
State Lottery Fund	364.8	(201.1)	163.6	$ 182.6
Michigan State Housing Development Authority	329.5	(35.1)	294.4	334.4
Michigan State Hospital Finance Authority	916.0	(26.9)	889.0	915.0
Michigan Higher Education Student Loan Authority	12.5	-	12.5	*
Michigan Higher Education Assistance Authority	14.9	-	14.9	*
Total Noncurrent Investments	1,637.9	(263.2)	1,374.7	
Total Investments	$2,126.9	$ (267.7)	$1,859.2	

*Market Value approximates cost.

Note 10 continued on next page.

	FACE VALUE OR ORIGINAL COST	UNAMORTIZED PREMIUM (DISCOUNT)	AMORTIZED COST	MARKET VALUE
Pension Trust, Expendable Trust, and Agency				
Current Investments				
State Police Pension, Accident, and Disability Fund	$ 38.2	$ (.3)	$ 37.9	$ 38.0
State Employees' Retirement Fund	405.5	(3.3)	402.1	403.8
Public School Employees' Retirement Fund	1,233.9	(10.4)	1,223.5	1,229.0
Probate Judges' Retirement Fund	1.8	-	1.8	1.8
Judges' Retirement Fund	10.4	-	10.3	10.4
Municipal Employees' Retirement Fund	78.2	(.1)	78.1	78.2
Miscellaneous Trust Accounts Fund	20.8	(1.3)	19.5	20.4
Total Current Investments	1,789.1	(15.7)	1,773.4	1,781.9
Noncurrent Investments				
Legislative Retirement Fund	$ 38.1	$ (1.2)	$ 36.9	$ 37.5
State Police Pension, Accident, and Disability Fund	232.6	(4.5)	228.1	253.0
State Employees' Retirement Fund	2,318.6	(75.9)	2,242.7	2,490.3
Public School Employees' Retirement Fund	7,955.8	(292.1)	7,663.6	8,500.3
Probate Judges' Retirement Fund	9.8	-	9.8	10.8
Judges' Retirement Fund	62.3	(.4)	61.9	68.4
Municipal Employees' Retirement Fund	807.5	(10.3)	797.2	886.3
State Employees' Deferred Compensation Fund I (457)	456.5	-	456.5	490.6
Michigan State Accident Trust Fund	239.3	12.4	251.8	282.3
Other Trust and Agency Funds	.7	-	.7	4.9
Total Noncurrent Investments	12,121.7	(372.1)	11,749.6	13,024.9
Total Investments	$13,910.9	$ (387.8)	$13,523.0	$14,806.9
Total All Funds:				
Current Investments	$ 2,375.7	$ (20.2)	$ 2,355.4	
Noncurrent Investments	13,880.7	(634.2)	13,246.6	
Total Investments	$16,256.5	$ (654.5)	$15,602.0	

For the most part, the State Treasurer has custody of State investments and generally the State is not invested in repurchase agreements. Certain State authorities, including the Hospital Finance Authority, State Building Authority, and Michigan Strategic Fund do invest in short-term repurchase agreements. These investments are explained in the notes to their statements.

NOTE 11 -- MORTGAGES AND LOANS RECEIVABLE

Mortgage notes and loans receivable (in millions) reported in the enterprise fund group consist of the following:

	Mortgages and Loans Receivable (Gross)	Unloaned Bond Proceeds	Unamortized Discount	Allowance for Possible Losses	Mortgages and Loans Receivable (Net)
Michigan State Housing Development Authority	$1,626.0	$ -	$ (5.6)	$ (17.0)	$1,603.4
Michigan State Hospital Finance Authority	2,103.6	(918.4)	(39.0)	-	1,146.0
Michigan Higher Education Student Loan Authority	158.1	-	-	-	158.1
Michigan Higher Education Assistance Authority	3.9	-	-	(3.2)	.7
Michigan Strategic Fund	21.9	-	-	(2.3)	19.6
	$3,913.5	$ (918.4)	$ (44.7)	$ (22.5)	$2,927.9

Note 11 continued on next page.

The Michigan State Housing Development Authority had loan commitments outstanding at June 30, 1986 of $69.1 million. The Michigan State Hospital Finance Authority unloaned bond proceeds of $918.4 million are committed for either future loans or long-term debt requirements. The Michigan Strategic Fund had loan commitments outstanding at September 30, 1986 of $7.3 million.

Mortgages are also held as investments by pension funds ($1.3 billion at book) and these are reflected in long-term investments.

NOTE 12 -- PROPERTY, PLANT, AND EQUIPMENT

Proprietary Funds

Classification: The following table summarizes, by major class of asset, the recorded costs of fixed assets included in proprietary funds, as of September 30, 1986 (in millions):

Classification	Enterprise Funds	Internal Service Funds
Land	$ 7.1	$ -
Buildings and Equipment	46.3	92.7
Construction in Progress	-	.1
Total	53.5	92.8
Allowance for Depreciation	(22.2)	(31.9)
Net Property, Plant, and Equipment	$ 31.3	$ 60.9

Depreciation: Depreciation methods and useful life estimates used for buildings and equipment vary between the different funds and component units. The estimated service lives of the respective assets range from 5 to 60 years for buildings and 3 to 20 years for equipment. Several funds and component units in the proprietary and pension trust fund classes do not capitalize and depreciate their fixed assets if the assets are insignificant to their operations.

General Fixed Assets

Changes by Classification: The following table summarizes, by major class of asset, the changes in recorded costs for the general fixed assets account group (in millions):

Classification	Balance September 30, 1985	Additions	Deletions	Balance September 30, 1986
Land	$ 170.7	$ 10.5	$ -	$ 181.3
Buildings	776.7	61.3	2.3	835.7
Equipment	313.8	62.5	37.7	338.6
Construction in Progress	70.3	121.2	40.7	150.9
Total General Fixed Assets	$1,331.7	$ 255.7	$80.8	$1,506.6

Funding Source: The following summarizes the funding source of the investment in general fixed assets as of September 30, 1986 (in millions):

Fund	Investment
General Fund	$1,339.2
Special Revenue Funds:	
Transportation Related	101.8
Conservation and Recreation Related	29.8
Regulatory and Administrative Related	28.4
Mackinac Bridge Authority	1.1
Capital Projects Funds	6.1
Total Investment in General Fixed Assets	$1,506.6

Note 12 continued on next page.

Construction in Progress: The following summarizes the major types of projects included in construction in progress as of September 30, 1986 (in millions):

Type of Project	Estimated Cost	Authorized	Expended
Correctional facilities:			
New prisons	$363.3	$135.5	$103.3
Other	76.2	50.2	21.5
Other projects	98.9	83.4	26.0
Totals	$538.5	$269.2	$150.9

In addition to the projects noted above, the State has planned other construction projects which were unfunded as of September 30, 1986. The costs of these projects, as well as the unfunded portion of projects currently in progress, will be funded from future years' resources.

NOTE 13 -- PENSION BENEFITS

The State of Michigan makes employer contributions to the following pension plans, each of which is accounted for in a separate fund:

Legislative Retirement System (LRS)
State Police Pension, Accident, and Disability Fund (SPPADF)
State Employees' Retirement System (SERS)
Public School Employees' Retirement System (PSERS)
Probate Judges' Retirement System (PJRS)
Judges' Retirement System (JRS)

The Bureau of Retirement Systems issues more detailed financial reports for each of the pension plans listed above.

Military retirement benefits for State employees who qualify for National Guard retirement are funded by annual appropriations from the General Fund on a pay-as-you-go basis. The unfunded accrued liability is an immaterial amount in relation to the General Fund.

The Municipal Employees' Retirement System, a pension plan for employees of local governments in Michigan, is presented in the Expendable Trust Fund type. The State's function is administrative in nature, covering the receipt of municipal contributions and the payment of benefits. The State makes no contributions to the plan and has no legal or moral responsibility for funding current or future benefits.

DESCRIPTION OF PLANS

Legislative Retirement System - Plan membership - This plan covers substantially all State legislators, with current active membership at 148. Approximately 155 retirants and beneficiaries are currently receiving benefits, with an additional 34 terminated members having vested deferred benefits. Plan benefits - Members may retire at age 55 with 8 or more years of credited service, or at 55 with specified combinations of full or partial terms of office. Deferred allowance can be vested after 8 years of credited service, with benefits beginning at age 55. The plan has provisions for disability allowances and death in service payments to beneficiaries. Post-retirement medical benefits - Retirants, survivors and deferred vested members are provided paid dental, vision, hearing, hospital and medical coverage. The benefits are funded on the pay-as-you-go basis, with the 1985-86 expense being $.5 million. Funding requirements - Members are required to contribute 7% of current compensation. The State's participation is based upon the level-percent-of-payroll method and is provided by the General Fund and a portion of court fees.

State Police Pension, Accident, and Disability Fund - Plan membership - The system covers members of the Michigan State Police, with current active membership at 2,144. Approximately 993 retirees and beneficiaries are receiving benefits, with an additional 63 terminated members who have vested deferred benefits. Plan benefits - Members may retire with 25 years of service. Deferred benefits are vested after 10 years of service, with benefits beginning at age 50. The plan also provides for duty and non-duty disability retirement, as well as death benefits to beneficiaries. Post-retirement medical benefits - Health insurance coverage is provided for retirees at State expense on the pay-as-you-go basis, amounting to $2.2 million during 1985-86. Funding requirements - The system is non-contributory, with the State's contribution being determined based upon the level-percent-of-payroll method, coming from the General Fund.

Note 13 continued on next page.

Plan modifications subsequent to 9/30/86 provide for increases in benefits. This change is not reflected in the actuarial valuation at 9/30/86.

State Employees' Retirement System - Plan membership - This system is a statewide pension plan covering all State employees who are not covered by other systems, with approximately 61,174 members. Plan benefits - A member may retire after attaining age 55 with 30 or more years of credited service, or after attaining age 60 with 10 or more years of credited service. Members eligible for supplemental benefits may retire at age 51 with 25 or more years of service, or at age 56 with 10 or more years of service. A member may retire early with a reduced retirement allowance after attaining age 55 with 15 or more years of credited service. The plan also has provisions for a vested deferred allowance after 10 years of service, as well as duty and non-duty disability and death-in-service provisions. Post-retirement medical benefits - Retirees have the option of continuing hospitalization and major medical coverage. The retiree pays 10% of health insurance premiums and the State pays 90% on a pay-as-you-go basis through annual appropriations until age 65 when Medicare takes over and the State pays 100% of the remaining cost. The employer's expense for this purpose in 1985-86 was $32.0 million. The employer also paid $3.6 million in life insurance proceeds under policies covering retirees, spouse and dependents. Funding requirements - The system became non-contributory in 1974. The State's contribution is determined based upon the level-percentage-of-payroll method. The majority of the plan's contributions are provided by the General and Special Revenue Funds.

Public School Employees' Retirement System - Plan membership - This system is a statewide pension plan covering all public education employees except those at six institutions of higher education and some employees of other institutions of higher education who elect coverage by another retirement program. Approximately 277,534 teaching and non-teaching employees are members of the system. Plan benefits - P.A. 91 of 1985 provided for several changes in the PSERS beginning in January 1986. It allows employees to make a one-time irrevocable decision to join a "member investment plan." This option requires employee contributions and provides for early retirement and more liberal retirement benefits. Under the normal plan, a member may retire after attaining age 55 with 30 or more years of service, or at age 60 with 10 or more years of service. An early retirement with reduced benefits is available at age 55 with 15 or more years of service. The plan provides for a deferred allowance with vesting after 10 years, duty and non-duty disability and death-in-service provisions. Post-retirement medical benefits - Retirees may, under P.A. 91, continue hospitalization and major medical coverage for themselves and an expanded category of beneficiaries which partly caused the increase in health benefits payments for 1985-86. Retirees pay 10% of the health premium until medicare coverages begins at age 65. Beginning in 1985-86, P.A. 91 also requires that the State fund the remaining cost on a prefunding basis (current year expense plus amortization of unfunded prior period costs), with the expense for 1985-86 being $ 85.4 million. Funding requirements - The system became non-contributory in 1974 and remains so except for those employees electing the "member investment plan" option. The State's contribution is determined using the level-percent-of-payroll method. The majority of the plan's employer contributions are provided by the School Aid Fund and the local school district employers.

Probate Judges' Retirement System and Judges' Retirement System - Plan membership - Both are statewide plans which cover substantially all judges and probate judges in Michigan's judicial branch of government. The Probate Judges' Retirement System (PJRS) became a "closed" system on 1/1/83 with probate judges taking office after that date becoming members of the Judges' Retirement System (JRS). The PJRS also includes the Governor, Lieutenant Governor, Secretary of State, Attorney General (all elected), Legislative Auditor General, and the Court Administrator. There are 503 active members in the JRS and 65 in the PJRS. Plan benefits - A member of either system may retire after attaining age 60 with 8 or more years of credited service, or at age 55 with 18 or more years of service. To retire at 55, members of the JRS must have 6 years of continuous service prior to retirement. Additionally, members of the JRS may retire at any age if credited with 25 years of service, six of which are continuous up to retirement. Both plans provide for deferred retirement with vesting after 8 years of credited service, as well as disability and death-in-service provisions. Post retirement medical benefits - Non-trial court judges and participating elected officials may choose to have hospitalization and major medical coverage continued, paying 10% of health insurance premiums until medicare coverage begins at age 65. The State's 90% funding of health insurance on the pay-as-you-go basis was a nominal amount because most judges participate in local unit plans. The State also provides for life insurance coverage for the retiree, spouse and children. Funding requirements - members of the JRS contribute between 3 1/2% - 7% of salary. Non-trial judges and elected state officials contribute 5% of salary. Members of the PJRS generally contribute 7% of salary. The State's employer contribution under both plans is based upon the level-percent-of-payroll method and is funded by the General Fund and a portion of court fees.

Note 13 continued on next page.

ACTUARIAL COST METHODS AND ASSUMPTIONS

Cost Methods - The LRS uses the "attained age" actuarial cost method. All other systems use the "entry age" method which allocates a higher percent of the total cost to past service cost ("unfunded actuarial accrued liabilities") and a lower percent to current service costs ("normal cost") than does the "attained age" method. In determining required contributions, the actuaries included amounts to amortize the unfunded actuarial accrued liabilities over the following periods: LRS - 15 years; SPPADF, PJRS & JRS - 40 years; SERS and PSERS - 50 years.

The following assumptions were used in the actuarial valuations:

System	Rate of return - Investment of Current and Future Assets	Projected Salary Increases		
		Merit	Seniority	Inflation
	% Compounded Annually	%	%	%
LRS	6.0%	(Combined .5)		4.0
SPPADF	8.5	(Combined 7.0)		
SERS	8.0	(Combined 0.2-5.8)		6.5
PSERS	11.8	(Combined 0.1-3.5)		5.0
PJRS & JRS	8.0	(Combined 0.5)		6.5

The statutes governing the SERS and the PSERS provide for one or more additional distributions to retirees and retirement allowance beneficiaries on record at the end of each fiscal year if the earning on plan assets exceed a computed standard. The amount of such liability in each fund is based upon earnings on assets that exceed an 8% return. The September 30, 1986 liability in the SERS is $66.0 million and in the PSERS is $173.8 million.

Pre- and post-retirement life expectancies of participants in all systems are based upon the 1971 Group Annuity Mortality Table. Also considered in the valuations were the rates of non-death withdrawal from active service before retirement, rates of disability, and expected retirement ages.

Date of actuarial valuation - All valuations are as of 9/30/86.

Accounting changes affecting comparability with the prior year

As of September 30, 1986 the asset valuation method has been changed for MSERS, MPSERS, MJRS and MPJRS, from book value with 10% smoothing of realized gains and losses, to market value. The change in valuation assets is shown below (in millions):

System	September 30, 1986 Assets		
	Book Value 10% Smoothing	Market Value	Effect of Change
SERS	$2,462.1	$2,918.0	$ 455.9
PSERS	8,209.3	9,732.8	1,523.5
JRS	70.9	82.1	11.2
PJRS	12.3	14.2	1.9

There were no material changes in actuarial assumptions or benefit provisions in the pension plans during 1985-86 except for the changes in funding of health benefits in the PSERS, the effect of which was to increase the State's required contribution under the statutory funding requirement from $85.4 million to $158.9 million for the fiscal year. The "actuarial present value of credited projected benefits" table has been restated at 9/30/85 to provide comparability to 9/30/86.

Note 13 continued on next page.

GAAP Funding Requirement Determinations and Contributions Actually Made - The actuarially computed contribution required to fund normal costs and to amortize unfunded liabilities are shown compared to the actual funding provided (amounts in millions):

		Employer Contribution			
		Required		Actual	
System	Active Member Payroll	%	Amount	%	Amount
LRS	$ 5.4	32.40%	$ 1.8	36.72%	$ 2.0
SPPADF	74.0	21.07	15.6	18.05	13.4
SERS	1,643.3	9.89	162.5	12.04	197.8
PSERS	4,561.4	9.40	428.8	10.58	482.5
PJRS	4.1	15.49	.6	18.13	.7
JRS	27.4	17.71	4.9	19.22	5.3

Statutory Funding Requirements - Except for the LRS, the statutes provide for an annual reconciliation process to ensure that contributions to the retirement funds are in accordance with the actuarially computed contributions. These required contributions are determined on a statutory basis which provides for a 50 year amortization of prior service costs in the LRS, SERS, and the PSERS, rather than the GAAP maximum of 40 years. Contribution shortfalls or overages in a given fiscal year will be corrected by special contribution rate adjustments in the second succeeding fiscal year.

Actual contributions met or exceeded the contributions required by state law except for a deficiency of $37.0 million in the PSERS and $2.2 million in the SPPADF.

Summary of Significant Accounting Policies - Market Value of Investments - Note #10 provides disclosure of market value of investments. Other investment information - No investment in any of the pension plans comprises 5% or more of the net assets available for benefits. No investments are made in securities issued by the State, nor are there loans made from the pension plan to the State.

ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS

The following table shows the actuarially calculated present value of projected benefits payable to current retirees and beneficiaries, terminated vested participants, and for active participants:

(Dollar amounts are in millions)	September 30, 1986 Dollar Amount	September 30, 1986 % of Annual Active Member Payroll	September 30, 1985 Dollar Amount	September 30, 1985 % of Annual Active Member Payroll
Legislative Retirement System				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries	$ 21.5	392%	$ 21.6	413%
Terminated vested participants	6.5	119	4.9	93
Total	$ 28.0	511%	$ 26.5	506%
Actuarial present value of credited projected benefits for active participants:				
Member contributions	$ 2.1	38%	$ 1.8	35%
Employer financed portion	14.6	266	12.8	244
Total	$ 16.7	304%	$ 14.6	279%
Total actuarial present value of credited projected benefits	$ 44.8	815%	$ 41.2	785%
Net Assets (At Cost) Available for Benefits	$ 43.4		$ 39.2	
Valuation asset adjustment	-		-	
Valuation Assets	$ 43.4		$ 39.2	
Unfunded actuarial present value of credited projected benefits	$ 1.4		$ 2.0	

Note 13 continued on next page.

(Dollar amounts are in millions)	September 30, 1986 Dollar Amount	September 30, 1986 % of Annual Active Member Payroll	September 30, 1985 Dollar Amount	September 30, 1985 % of Annual Active Member Payroll
State Police Pension, Accident, and Disability Fund				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries	$ 116.8	157%	$ 106.2	153%
Terminated vested participants	2.8	4	2.2	3
Total	$ 119.6	161	$ 108.4	156%
Actuarial present value of credited projected benefits for active participants:				
Member contributions	$ 5.1	7%	$ 5.2	7%
Employer financed portion	243.2	328	226.1	326
Total	$ 248.3	335%	$ 231.3	333%
Total actuarial present value of credited projected benefits	$ 367.9	496%	$ 339.7	489%
Net Assets (At Cost) Available for Benefits	$ 276.7		$ 241.2	
Valuation asset adjustment	-		-	
Valuation Assets	$ 276.7		$ 241.2	
Unfunded actuarial present value of credited projected benefits	$ 91.2		$ 98.5	

(Dollar amounts are in millions)	September 30, 1986 Dollar Amount	September 30, 1986 % of Annual Active Member Payroll	September 30, 1985 Dollar Amount	September 30, 1985 % of Annual Active Member Payroll
State Employees' Retirement System				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries	$ 978.1	56%	$ 947.3	61%
Terminated vested participants	16.4	1	16.6	1
Total	$ 994.5	57%	$ 963.9	62%
Actuarial present value of credited projected benefits for active participants:				
Member contributions	$ 94.6	5%	$ 95.2	6%
Employer financed portion	1,674.9	97	1,421.7	91
Total	$1,769.5	102%	$1,517.0	97%
Total actuarial present value of credited projected benefits	$2,764.1	159%	$2,480.8	159%
Net Assets (At Cost) Available for Benefits	$2,668.6		$2,349.5	
Valuation asset adjustment	249.4		(109.1)	
Valuation Assets	$2,918.0		$2,240.4	
Unfunded (overfunded) actuarial present value of credited projected benefits	$ (154.0)		$ 240.5	

Note 13 continued on next page.

(Dollars are in millions)	September 30, 1986 Dollar Amount	September 30, 1986 % of Annual Active Member Payroll	Restated September 30, 1985* Dollar Amount	Restated September 30, 1985* % of Annual Active Member Payroll	September 30, 1985 Dollar Amount	September 30, 1985 % of Annual Active Member Payroll
Public School Employees' Retirement System						
Actuarial present value of projected benefits payable to:						
Current retirants and beneficiaries.	$ 4,124.6	90%	$3,171.4	75%	$2,630.5	63%
Terminated vested participants.....	125.1	3	135.9	3	131.8	3
Total.....	$ 4,249.7	93%	$3,307.2	78%	$2,762.4	66%
Actuarial present value of credited projected benefits for active participants:						
Member contributions.....	$ 655.3	15%	$ 686.2	16%	$ 686.2	16%
Employer financed portion.....	5,620.6	123	5,627.7	134	5,236.9	124
Total.....	$ 6,275.9	138%	$6,313.9	150%	$5,923.1	140%
Total actuarial present value of credited projected benefits.....	$10,525.6	231%	$9,621.1	228%	$8,685.5	206%
Net Assets (At Cost) Available for Benefits.....	$ 8,890.6		$7,908.1		$7,908.1	
Valuation asset adjustment.....	842.2		(348.9)		(348.9)	
Valuation Assets.....	$ 9,732.8		$7,559.3		$7,559.3	
Unfunded actuarial present value of credited projected benefits.....	$ 792.8		$2,061.9		$1,126.2	

*The above September 30, 1985 results are $935,664,976 higher than reported last year. The restatement of the 1985 results reflects changes in benefit provisions, the inclusion of the present value of post-retirement health insurance benefits and in actuarial assumptions (which were not material).

(Dollar amounts are in millions)	September 30, 1986 Dollar Amount	September 30, 1986 % of Annual Active Member Payroll	September 30, 1985 Dollar Amount	September 30, 1985 % of Annual Active Member Payroll
Probate Judges' Retirement System				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries.....	$ 8.8	210%	$ 6.7	159%
Terminated vested participants.....	.2	6	.3	8
Total.....	$ 9.0	216%	$ 7.0	167%
Actuarial present value of credited projected benefits for active participants:				
Member contributions.....	$ 1.3	32%	$ 1.3	30%
Employer financed portion.....	7.3	175	7.9	188
Total.....	$ 8.6	207%	$ 9.2	218%
Total actuarial present value of credited projected benefits.....	$ 17.6	423%	$ 16.3	385%
Net Assets (At Cost) Available for Benefits.....	$ 13.2		$ 11.8	
Valuation asset adjustment.....	1.1		(.3)	
Valuation Assets.....	$ 14.2		$ 11.4	
Unfunded actuarial present value of credited projected benefits.....	$ 3.4		$ 4.9	

Note 13 continued on next page.

(Dollar amounts are in millions)	September 30, 1986 Dollar Amount	September 30, 1986 % of Annual Active Member Payroll	September 30, 1985 Dollar Amount	September 30, 1985 % of Annual Active Member Payroll
Judges' Retirement System				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries	$ 35.9	129%	$ 33.9	129%
Terminated vested participants	1.7	6	1.4	5
Total	$ 37.6	135%	$ 35.3	134%
Actuarial present value of credited projected benefits for active participants:				
Member contributions	$ 11.1	40%	$ 9.6	36%
Employer financed portion	44.6	160	40.7	155
Total	$ 55.7	200%	$ 50.3	191%
Total actuarial present value of credited projected benefits	$ 93.3	335%	$ 85.6	325%
Net Assets (At Cost) Available for Benefits	$ 75.5		$ 64.2	
Valuation asset adjustment	6.6		(1.9)	
Valuation Assets	$ 82.1		$ 62.3	
Unfunded actuarial present value of credited projected benefits	$ 11.2		$ 23.3	

NOTE 14 -- EARLY RETIREMENT PLAN

PA. 3 of 1984 provided for an early retirement incentive program that was available to approximately 3,800 eligible employees from June 2 through September 30, 1984 and 1,964 employees retired under the program. In addition to the basic monthly retirement benefits for which the "80 and out" retirees were eligible, they receive a monthly pension supplement ranging from $240 to $360 until age 62. Accumulated sick leave balances, which are normally paid in a lump sum at retirement, are being spread in equal installments over 60 months.

Payments to early retirees are made through the State Employees' Retirement Fund. The fund is, in turn, reimbursed by the General, State Trunkline, and Michigan Employment Security Act-Administration funds for supplemental benefit and sick leave payments and the retirees' basic benefits through age 60. The departments provided funding from available appropriations for replacement of retirees and payment of basic retirement and supplemental benefits for fiscal years 1983-84 and 1984-85. Beginning with the 1985-86 fiscal year, increased pension funding rates charged to departments fund the remainder of the program. Expenditures in 1985-86 amounted to $23.0 million.

The present value of future benefits to be paid under this plan, including basic benefits through age 60, is recorded in the State's General Long-term Obligations Account Group using a discount rate of 8%. Fund expenditures are recognized as payments become due.

The following payments are required by fiscal year (in thousands):

	Gross Liability	Present Value
1986-87	$19,926	$19,159
1987-88	17,091	15,194
1988-89	13,813	11,353
1989-90	8,694	6,607
1990-91	6,169	4,334
1991-1997	8,021	4,927
Total	$73,716	$61,577

NOTE 15 -- COMPENSATED ABSENCES

Plan Descriptions:
Employees receive a 100% termination payment of unused annual leave (vacation time) upon separation based upon the employee's final rate of pay. The maximum amount of leave that employees can accumulate varies with seniority, generally ranging between 240 and 300 hours.

Termination payments for accumulated sick leave balances are made only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation times their last rate of pay. When separating for any other reason employees are paid a percentage of their unused sick leave which increases from 0 to 50% depending upon the balance of their sick leave hours. There is no restriction on the amount of sick leave that can be accumulated.

Accounting Policy:
The State has accrued liabilities for compensated absences as required by NCGA Statement 4. Annual leave is valued at 100% of the unused balance and sick leave is valued at 0 to 50%, as explained above. Liabilities related to proprietary fund types are recorded in the funds. Liabilities related to governmental fund types are recorded in the General Long-Term Obligations Account Group, unless the liability is "due and payable" at year-end (i.e., liabilities are recognized in the year the employee leaves State service). The amount "due and payable," is included in the "Accounts payable and other liabilities" line.

The following table summarizes the recording of compensated absences liabilities as of September 30, 1986 (in millions):

FUND GROUP	ANNUAL	SICK	TOTAL
Enterprise	$ 2.0	$ 3.3	$ 5.3
Internal Service	1.0	1.1	2.1
General Long-Term Obligations	137.6	169.7	307.3
	$140.6	$174.1	$314.7

NOTE 16 -- GENERAL LONG-TERM OBLIGATIONS

A. Bonded Debt

General Obligation Debt

Article 9, Section 15 of the 1963 State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. In addition, debt may be incurred without voter approval for the purpose of providing loans to school districts. General Fund appropriations are made to finance debt principal and interest requirements for all general obligation issues except School Loan Bonds, where only the excess of requirements over loan repayments is provided. General obligation bonds are backed by the full faith and credit of the State.

Revenue Dedicated Debt

Oversight Entity - Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The State's general credit does not support such issues.

State Authorities - Governmental - Revenue bonds have been issued by certain of the governmental authorities for construction of the Mackinac Bridge and to acquire and/or construct various facilities for use by the State or institutions of higher education. These bonds are obligations of the authorities and do not constitute direct general obligations of the State. The debt requirements of the Mackinac Bridge Authority (MBA) bonds were financed through authority revenues and an annual transfer from the Michigan Transportation Fund. The debt requirements of the State Building Authority bonds are financed through General Fund appropriations, excess bond proceeds, and investment earnings.

Note #19 provides disclosures regarding the long-term debts of the enterprise funds.

Note 16 continued on next page.

General Obligation and Revenue Dedicated Bonds issued and outstanding at September 30, 1986 (expressed in millions) are as follows:

	AMOUNTS ISSUED	OUTSTANDING 9/30/86	MATURITIES FIRST YEAR	MATURITIES LAST YEAR	AVERAGE INTEREST RATE PERCENTAGE
GENERAL OBLIGATION DEBT					
School Loan Bonds:					
Series IV	$ 20.0	$ 7.5	1980	1989	4.60
Series V	14.0	12.0	1986	1989	9.83
Series VI	7.5	7.5	1988	1995	5.92
Water Pollution:					
Series II	15.0	4.0	1980	1990	5.99
Series III	50.0	27.0	1979	1999	4.43
Series IV	80.0	26.0	1973	1999	4.34
Series V	7.0	6.0	1986	1988	4.07
Series VI	70.0	20.0	1974	1998	4.56
Series VII	50.0	17.0	1975	1993	4.34
Series VIII	33.0	33.0	1987	1994	9.15
Public Recreation:					
Series V	11.0	3.0	1979	1989	4.60
Vietnam Veteran Bonus Series I-III	190.0	35.0	1976	1989	5.23
TOTAL GENERAL OBLIGATION DEBT	547.5	198.0			
REVENUE DEDICATED DEBT					
Oversight Entity:					
State Park Revenue Bonds Series I-VIII	19.1	9.2	1963	1996	5.78
Tax Dedicated Bonds:					
Michigan Trunkline Construction Series VII-IX	95.0	5.8	1962	1987	3.34
Michigan Comprehensive Transportation:					
Series A	106.2	70.7	1980	2009	8.09
Series 1985 (Series B Refunding)	57.8	55.2	1985	2011	8.53*
Series 1986 (Refunding)	103.5	102.0	1986	2014	7.65
State Trunkline Fund Bonds:					
Series 1983	135.0	58.3	1987	1995	9.65
Series 1984	50.0	25.8	1987	1995	9.53
Series 1986 (Refunding)	105.6	105.6	1987	1999	7.34
TOTAL REVENUE DEDICATED DEBT - OVERSIGHT	672.4	432.9			
State Financing Authorities - Governmental Types:					
State Building Authority:					
1979 Revenue Bonds - Series I	89.4	73.2	1982	1999	6.36
1982 Revenue Bonds - Series II	21.0	17.9	1983	1995	8.46
1984 Revenue Bonds - Series I	104.9	104.9	1987	2001	9.38
1985 Revenue Bonds - Series I	4.3	4.2	1986	1996	6.75*
1986 Revenue Bonds - Refunding Series I	271.0	271.0	1987	2004	7.03
1986 Revenue Bonds - Refunding Series II	39.7	39.7	1990	2001	6.84
1986 Revenue Bonds - Refunding Series III	105.3	105.3	1987	1999	6.43
	635.6	616.2			
Mackinac Bridge Authority (MBA) as of June 30 - Revenue Bonds Series B	20.0	.8	1994	1994	5.25
TOTAL REVENUE DEDICATED DEBT - STATE FINANCING AUTHORITIES - GOVERNMENTAL	655.6	617.0			
TOTAL REVENUE DEDICATED DEBT	1,328.0	1,050.0			
GRAND TOTAL	$1,875.5	$1,248.0			

*The Series 1985 Michigan Comprehensive Transportation tax dedicated bond issue included capital appreciation bonds ("zero coupon") with an ultimate maturity value of $68.2 million. These bonds are recorded in the amount of $10.0 million, which was the present value at the time of their issue. These bonds mature in the years from 1995 to 2011. The funding for the debt service on these bonds will be provided as they mature. Accrued interest payable on the debt is not recorded as a liability and interest expenditures will be recorded as the bonds are redeemed.

Note 16 continued on next page.

The interest rate for the State Building Authority's 1985 Revenue Bonds is a variable rate calculated as 85 percent of "Bond Buyer Index for 11 General Obligation Bonds" set each December 15 and June 15 for the succeeding six-month periods January 1 to June 30 and July 1 to December 31, respectively. At September 30, 1986, the effective interest rate is 6.75%.

Advance Refundings and Defeasances

Comprehensive Transportation Fund Related Refundings: During fiscal year 1984-85, the Michigan Department of Transportation completed an advance refunding transaction related to the Comprehensive Transportation Bonds Series B, dated May 1, 1981. A portion of the proceeds of the refunding bond issue was placed in trust and used to purchase securities of the U.S. Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt, of which $47.0 million was outstanding at September 30, 1986. These assets are administered by the trustee and are restricted for the retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the State defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transaction.

During fiscal year 1985-86, the Michigan Department of Transportation completed a partial advance refunding transaction related to the Comprehensive Transportation Bonds 1979 Series A, dated January 1, 1980 and totally refunded the Series 1984 Bonds dated January 15, 1984. The outstanding refunded debt, as of September 30, 1986 was $25.4 million for Series A Bonds and $59.0 million for Series 1984 Bonds. A portion of the proceeds of the refunding issue was placed in trust and used to purchase securities of the U.S. Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by the trustee and are restricted for the retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the State defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transaction. However, pursuant to the resolutions authorizing the Series A Bonds, the refunding of these Series A Bonds will not discharge the lien on the Comprehensive Transportation Fund securing these bonds until their redemption or maturity occurs.

Trunkline Fund Related Defeasances

During fiscal year 1985-86, the Michigan Department of Transportation completed a partial advance refunding transaction related to the State Trunkline Fund Bonds Series 1983 and 1984. The outstanding refunded debt, as of September 30, 1986 was $66.4 million for Series 1983 Bonds and $20.4 million for the Series 1984 Bonds. A portion of the proceeds of the refunding bond issue was placed in trust and used to purchase securities of the U.S. Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by the trustee and are restricted for the retirement of the refunded debt. The liability for the refunded bonds and related securities and escrow accounts are not included in the accompanying financial statements as the State defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transaction.

State Building Authority Defeasances

During fiscal year 1985-86, the State Building Authority completed advance refunding transactions related to 1982 Series I and III Revenue Bonds dated 4/1/82 and 12/1/82, respectively. A portion of the proceeds was placed in trust and used to purchase securities of the U.S. Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. At September 30, 1986 the amount outstanding for Series I and Series III refunded debt was $93.4 million and $237.9 million, respectively.

Note 16 continued on next page.

The following tables summarize debt service requirements for outstanding bonds (in millions):

	OVERSIGHT ENTITY				
	GENERAL OBLIGATION		REVENUE DEDICATED		TOTAL PRINCIPAL AND INTEREST
FISCAL YEARS ENDING	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
1987	$ 40.3	$ 10.9	$ 20.6	$ 32.0	$ 103.9
1988	29.0	8.3	16.1	30.7	84.2
1989	26.7	6.6	17.3	29.6	80.2
1990	19.0	4.9	18.2	28.3	70.6
1991	14.0	3.9	19.5	26.9	64.4
1992-2015	69.0	8.8	341.0	277.9	696.7
Total	$198.0	$ 43.6	$432.9	$425.7	$1,100.3

	GOVERNMENTAL TYPE FINANCING AUTHORITIES		
	MACKINAC BRIDGE AUTHORITY	STATE BUILDING AUTHORITY	
FISCAL YEARS ENDING	PRINCIPAL	PRINCIPAL	TOTAL PRINCIPAL
1987	$ .8	$ 15.8	$ 16.6
1988	-	26.6	26.6
1989	-	30.0	30.0
1990	-	33.1	33.1
1991	-	32.6	32.6
1992-2013	-	478.1	478.1
TOTAL	$ .8	$616.2	$617.0

Interest is not presented in the table above for financing authorities because the bonds of these authorities are callable and it is expected that most will be called prior to the final scheduled maturity date. Therefore, including interest would overstate expected requirements. The bonds of the Mackinac Bridge Authority, which are scheduled to mature in 1994, were called on July 1, 1986. The retirement of the State Building Authority bonds will vary from project to project, as each bond issue is related to a specific project. In addition, some of the bonds of the State Building Authority carry variable interest rates.

B. Other General Long-term Obligations

Capital Leases - Capitalized lease liabilities are described in more detail in Note #17. The leases are attributable to operations of the General Fund and two special revenue funds (the State Trunkline Fund and Michigan Employment Security Act - Administration Fund).

Unemployment Compensation Borrowing Interest Liability and Compensated Absences - Details regarding these are provided in Note #18 and #15, respectively.

Judgments - In 1976 the United States Supreme Court directed that the Detroit Board of Education institute various comprehensive programs with the cost to be shared equally with the State. The State's cumulative remaining share after September 30, 1986, totals $8.2 million, with annual payments of $4.3 million in fiscal year 1986-87 and $3.9 million in 1987-88.

Workers' Compensation - The State does not purchase workers' disability compensation insurance coverage for State employees. Rather, the State is billed by the State Accident Fund for actual benefits paid plus an administrative charge. Charges for fiscal year 1985-86 amounted to $17.7 million. The State Accident Fund estimates that future payments on reported claims will total $62.8 million. The general long-term obligations account group includes a liability of $47.5 million as the estimated present value of these claims. None of the long-term liability has been allocated to the proprietary fund types because fund allocation is not considered measurable and the unrecorded amounts are not significant to the individual funds.

Note 16 continued on next page.

Early Retirement Benefits - The State's early retirement program is described in Note #14.

Unrecorded Limited Obligation Debt - Certain State component unit financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to public or private institutions of higher education for capital improvements. As of September 30, 1986, the MHEFA had bonds outstanding of $68.3 million. The Michigan Family Farm Development Authority (MFFDA) issues these types of bonds to foster the development of new farm operations. As of September 30, 1986, the MFFDA had bonds outstanding of $5.0 million.

Newly created in 1985-86 was the Michigan Municipal Bond Authority (MMBA). The MMBA was created to assist local units of government reduce their short-term and long-term financing costs. The MMBA pools the borrowing needs of various units and this results in significant savings to them. During 1985-86, the MMBA issued $150.4 million of short-term notes and $420.0 million of bonds. Any unloaned proceeds or investments, as well as loan repayments by the local units, related to these borrowings are placed with outside trustees. The unloaned amounts with trustees at September 30, 1986 was $403.9 million; loans outstanding to the local units total $165.5 million. Repayments on the borrowings of the MMBA will be made only from local unit loan repayments, unloaned proceeds and related investment earnings, or future revenues of the local units which may have been pledged as backing for their individual borrowings. Pledged revenues can include revenues from State sources, including distributions of State shared revenues, as well as other local sources such as property taxes.

C. Changes in General Long-term Obligations

Changes in general long-term obligations (in millions) for the year ended September 30, 1986 are summarized as follows:

	GENERAL OBLIGATION DEBT	REVENUE DEDICATED DEBT - OVERSIGHT ENTITY	REVENUE DEDICATED DEBT - STATE AUTHORITIES GOVERNMENTAL	CAPITAL LEASE OBLIGATIONS
Bonds and Capital Lease Obligations:				
Balance - Beginning	$241.7	$418.4	$544.4	$ 61.1
New bond issues/capital lease additions	7.5	209.2	416.0	9.1
Bond principal retirements/capital lease payments and deletions	(51.2)	(194.6)	(343.3)	(15.4)
Balance - Ending	$198.0	$432.9	$617.0	$ 54.8

	UNEMPLOYMENT COMPENSATION DEFERRED INTEREST	COMPENSATED ABSENCES LIABILITIES	JUDGMENTS	WORKERS' COMPENSATION	EARLY RETIREMENT BENEFITS
Other obligations:					
Balance - Beginning	$ 66.1	$273.0	$ 12.8	$ 50.0	$ 79.1
Net increase (decrease) in estimated liabilities	-	34.3	-	(2.5)	(17.5)
Elimination of portion of judgment attributed to fiscal year 1985-86	-	-	(4.5)	-	-
Payments on deferred interest	(25.5)	-	-	-	-
Balance - Ending	$ 40.6	$307.3	$ 8.2	$ 47.5	$ 61.6

NOTE 17 -- LEASES

The State leases land, office facilities, office and computer equipment, and other assets under noncancelable leasing arrangements. Most leases have cancellation clauses with 1-6 month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable because the likelihood that such clauses will be exercised is considered remote. Leases which are in the nature of acquisitions are classified as "capital" leases so that assets and liabilities are recorded at lease inception. Other leases are classified as "operating" leases and these are treated as rent commitments rather than as acquisitions.

Governmental Fund Types

Rental expenditures incurred under operating leases totalled $27.1 million during fiscal year 1985-86.

A summary of the noncancelable operating and capital leasing commitments to maturity follows (in millions):

Year Ended September 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
1987	$22.7	$14.0	$ 4.7	$18.7
1988	17.6	11.7	3.3	15.1
1989	12.7	8.6	2.3	11.0
1990	8.9	2.8	1.7	4.6
1991	5.3	1.5	1.5	3.1
1992-1996	6.5	6.3	5.8	12.2
1997-2001	.3	5.3	3.1	8.5
2002-2006	.1	4.1	.6	4.8
Total	$74.6	$54.8	$23.5	$78.3

All of the above capital leases are related to governmental fund operations and the total $54.8 million of capital lease principal is recorded as part of the general long-term obligations account group.

The historical cost of assets acquired under capital leases included in the general fixed assets account group at September 30, 1986 follows (in millions):

Buildings	$36.8
Equipment	58.4
Total	$95.3

Proprietary Fund Types

Rental expense incurred under operating leases totalled $1.1 million during fiscal year 1985-86.

Noncancelable operating lease commitments to maturity total $4.3 million and extend through fiscal year 1994-95. Capital lease commitments, including imputed interest, total $2.7 million and extend through fiscal year 1995-96.

All capital leases are for buildings and equipment related to Liquor Purchase Revolving Fund and Office Services Revolving Fund operations and are recorded as fund assets and liabilities.

NOTE 18 -- UNEMPLOYMENT COMPENSATION DEBT

As of September 30, 1985, the Michigan Unemployment Compensation Fund (MUCF), which is not included in these statements, had a liability to the federal government of $1,292.0 million for amounts borrowed to pay unemployment compensation. None of this amount is interest bearing. As of September 30, 1986, the debt had been reduced to $1,287.0 million. The debt principal is being repaid to the federal government using regular unemployment tax receipts. These revenues and principal repayments are recorded in the MUCF.

Note 18 continued on next page.

The preceding liability does not include deferred interest totaling $40.6 million which is recorded in the general long-term obligations account group. Normally, the State does not recognize liabilities for accrued interest on debt until it becomes "due and payable." This liability, however, was recorded because of its unusual nature and size. The federal government has allowed the State to defer payments on this liability, according to the following schedule (in millions):

Due Date	Amount
9/30/87	$25.5
9/30/88	12.7
9/30/89	2.3
	$40.6

A special tax surcharge, known as the solvency tax, was imposed on certain employers in the State of Michigan for the purpose of payment of the interest and to help fund a major contribution and payment automation project. The solvency tax collections are deposited into the Michigan Employment Security Act Contingency Fund, an expendable trust fund reported on in these financial statements. The State remains liable for interest payments, in the event that the trust fund's assets are insufficient.

The fiscal year-end balances (in millions) in the contingency fund were: taxes receivable $26.3; cash and other assets $40.1; deferred revenues $23.2; fund balance $43.2. The deferred revenues resulted from employers electing to spread their incurred tax liability over a period of four years, with equal installments due in April of each year. Employers were provided this option by Public Act 247 of 1983.

NOTE 19 -- BONDS, NOTES, AND LOTTERY PRIZE AWARDS PAYABLE - ENTERPRISE FUND GROUP

Lottery Prize Awards Payable

The State Lottery Fund makes long-term prize awards for certain of its games, most notably the lotto games. Liabilities related to these deferred prize awards are recorded at their present value using discount rates ranging from 6% to 8%. The liquidation of these liabilities is provided for by investment in U.S. Treasury deep discount bonds and in the State's common cash pool.

The present value of future payments for unpaid prize awards payable as of September 30, 1986 is summarized as follows (in millions):

Twelve months ending September 30:	
1987	$ 32.6
1988	22.7
1989	22.7
1990	22.7
1991	22.7
1992 through 1996	109.4
1997 through 2001	101.1
2002 through 2006	69.6
2007 through 2011	3.6
2012 through 2016	3.0
Later years	6.1
Total	416.7
Less unamortized discount	184.6
Total at present value	$232.0

More detailed information on the State Lottery Fund is available in the fund's separately issued audited financial statements, which are prepared quarterly.

Note 19 continued on next page.

Bonds and Notes Payable

All of the bonds and notes payable in the enterprise fund group are legal obligations of component units and they are not general obligations of the State. The following table summarizes bonds (net of discounts) and notes payable by component unit (in millions):

	MSHFA	MHESLA	MISPC	MSF	MSHDA	TOTAL
Notes Payable...	$ -	$ 115.6	$ -	$ -	$ 30.0	$ 145.6
Bonds Payable...	2,103.6	25.0	.4	24.6	1,893.6	4,047.2
Total.....	$2,103.6	$ 140.6	$ .4	$ 24.6	$1,923.6	$4,192.9

The following briefly describes these debts, which are more fully explained in each unit's separately issued financial statements:

Michigan State Hospital Finance Authority (MSHFA) - The bonds of this authority are limited obligation bonds which carry interest rates ranging from 3.90% to 16.13%. The bonds are repayable solely from loan repayments, investment earnings, and retained bond proceeds. The following table summarizes the debt service requirements of this authority as of its year-end of June 30 (in millions):

Fiscal Year	Principal	Interest	Total
1986-87.....	$ 50.1	$ 179.0	$ 229.1
1987-88.....	51.3	177.0	228.4
1988-89.....	45.0	173.1	218.1
1989-90.....	41.2	169.4	210.6
1990-91.....	41.9	165.9	207.8
Total five years.....	229.6	$ 864.6	$1,094.2
Five years ending June 30, 1996.....	370.4		
Ten years ending June 30:			
2006.....	498.2		
2016.....	1,035.5		
Year ending June 30, 2017.....	9.5		
	2,143.4		
Less unamortized discount.....	(39.8)		
	$2,103.6		

The MSHFA issued additional bonds totalling $319.2 million between its year-end of June 30, 1986 and February 20, 1987.

Michigan Higher Education Student Loan Authority (MHESLA) - As of September 30, 1986, the debts of this authority included: revenue bonds of $25.0 million maturing in 1988-89, which carried stated interest rates of 8%, and collateralized promissory notes of $115.6 million, which carry variable interest rates, with interest paid quarterly and principal due no later than July 2000.

During the year, the MHESLA defeased $55.0 million of bonds and the $50.0 million in notes, which resulted in the recognition of accounting losses of $126 thousand and $348 thousand, respectively. This defeasance was largely financed by $64.8 million of the promissory notes.

Mackinac Island State Park Commission (MISPC) - The commission's bonds are revenue bonds which carry an average interest rate of 13.48%. Annual principal and interest maturities for the next five years range from $82.4 thousand for 1986-87 to $68.1 thousand in 1990-91; debt service requirements after 1990-91 total $462.6 thousand, with the final payments due in 1997.

Note 19 continued on next page.

Michigan Strategic Fund (MSF) - The bonds of this entity are limited obligation revenue bonds, which carry an average interest rate of 11.5%. The bonds are repayable solely from loan repayments, investment earnings, and distributions of the Michigan Natural Resources Trust Fund. The following table summarizes the principal and interest requirements on these bonds (in millions):

Fiscal Year	Principal	Interest	Total
1986-87	$ 3.1	$ 2.8	$ 5.9
1987-88	2.6	2.5	5.1
1988-89	2.1	2.2	4.3
1989-90	2.0	1.9	3.9
1990-91	2.0	1.7	3.7
1991-1994	12.8	3.8	16.6
Total	$ 24.6	$ 14.9	$ 39.5

The MSF (and the former Job Development Authority) also issues industrial development revenue bonds which are not recorded as liabilities. These borrowings are, in substance, debts of other entities. After the bonds are issued, financial transactions are handled by outside trustees.

Michigan State Housing Development Authority (MSHDA) - The bonds of this authority are revenue bonds which carry effective interest rates ranging from 5.74% to 13.99%. The following table summarizes principal and interest requirements for the next five years as of MSHDA's fiscal year-ends of June 30 (in millions):

Fiscal Year	Principal	Interest	Total
1986-87	$ 44.4	$ 148.7	$ 193.1
1987-88	45.7	145.2	190.9
1988-89	48.4	142.1	190.5
1989-90	50.8	138.8	189.6
1990-91	53.5	135.2	188.7
Total five years	242.8	$ 710.0	$ 952.8
1990-2023	1,678.8		
	1,921.6		
Less unamortized discount	(28.0)		
Total principal	$1,893.6		

Because many of the bonds are expected to be called prior to maturity, interest is not presented beyond five years.

In 1985 the legislature authorized the MSHDA to issue up to $400,000,000 of limited obligation bonds to finance multi-family housing projects. Such bonds and notes are not general obligations of the authority but are secured solely by revenues and property derived from or obtained in connection with the housing projects. Thus, these bonds are not reflected as liabilities in either the financial statements or the above table. At June 30, 1986, limited obligation bonds had been issued totalling $138.1 million.

NOTE 20 -- DEFERRED COMPENSATION PLANS

Section 457 Plan:

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The State (employer) does not make any contributions to the fund. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 20 continued on next page.

The deferred compensation plan is accounted for in the State Employees' Deferred Compensation Fund I (457), an expendable trust fund, which is administered by the Department of Civil Service. Employee contributions, which are made by payroll deduction, are recognized as revenue of the fund. Benefits are recognized as expenditures when paid. The fund is primarily invested in guaranteed investment contracts with insurance companies which are valued at cost plus accrued interest. Short-term investments are held in the common cash pool. Investment earnings, net of administrative charges, are credited to the participants based upon their balances in the plan. The fund balance of the plan represents net assets available for plan benefits.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the State's legal counsel that the State has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The State believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The following is a summary of the fund's accounts (in thousands):

	1985-86	1984-85
Fund balance - beginning	$369,002	$289,903
Member contributions	70,840	56,713
Interest and other income	50,407	41,551
Benefits paid	(20,680)	(18,902)
Administrative Costs	(294)	(263)
Fund balance - ending	$469,275	$369,002

Section 401k Plan:

Beginning July 1, 1986, the State initiated a deferred compensation plan in accordance with Internal Revenue Code Section 401k. The plan permits employees to defer a portion of their salary until future years. The State (employer) does not make any contributions to the fund. The deferred compensation is not available to employees until termination, retirement, death, financial hardship, or attainment of age 59 1/2. The plan also includes a loan provision.

The deferred compensation plan is accounted for in the State Employees' Deferred Compensation Fund II (401K), an expendable trust fund, which is administered by the Department of Civil Service. Employee contributions, which are made by payroll deduction, are recognized as revenue of the fund. Benefits are recognized as expenditures when paid. Short-term investments are held in the common cash pool. Investment earnings, net of administrative charges, are credited to the participants based upon their balances in the plan. The fund balance of the plan represents net assets available for plan benefits.

NOTE 21 -- INTERFUND RECEIVABLES AND PAYABLES

Significant current interfund receivables and payables are listed by individual fund. Others are shown in total for the fund type. On the balance sheet these balances are presented as "amounts due from other funds" and "amounts due to other funds."

GOVERNMENTAL FUND TYPES	INTERFUND RECEIVABLES (In Thousands)	INTERFUND PAYABLES (In Thousands)
General Fund	$ 22,974	$ 52,028
Special Revenue Funds:		
State Trunkline Fund	30,672	2,019
Michigan Transportation Fund	1,643	32,531
Comprehensive Transportation Fund	8,040	149
Michigan Natural Resources Trust Fund	1,656	-
Michigan Employment Security Act - Administration Fund	-	1,164
Counter-Cyclical Budget and Economic Stabilization Fund	5,800	-
Michigan Veterans' Benefit (Trust) Fund	313	-
Other Special Revenue Funds	2,289	2,966
	50,417	38,831
Debt Service Funds	1,404	19,535
Capital Projects Funds	-	-
PROPRIETARY FUND TYPES		
Enterprise Funds	1,692	794
Internal Service Funds	1,629	219
FIDUCIARY FUND TYPES		
Trust and Agency Funds:		
State Employees' Retirement Fund	15,601	-
Public School Employees' Retirement Fund	1,316	-
Contribution Fund (Social Security)	14,853	-
Michigan Employment Security Act Contingency Fund	1,073	-
Transportation Related Trust Funds	113	3,099
Other Trust and Agency Funds	4,219	788
	37,179	3,888
Total Current Interfund Receivables and Payables All Funds	$115,297	$115,297

Long-term interfund receivables and payables are classified on the balance sheet as advances.

NOTE 22 -- INTERFUND COMMITMENTS

Transfers from the Michigan Veterans' Benefit (Trust) Fund

The Michigan Veterans' Benefit (Trust) Fund, a special revenue fund, has in prior years made transfers from its reserves to the General Fund totaling $49.8 million. These transfers were made in accordance with Public Act 119 of 1976 and Public Act 364 of 1980. The acts include provisions for annual repayments and reimbursement of lost interest. Repayments of $4.0 million are scheduled and appropriated for 1986-87. Through September 30, 1986, $23.9 million of the transfers had been repaid, including $4.4 million in 1985-86. The balance of the advances ($25.9 million) is not recorded as an asset of the special revenue fund or a liability of the General Fund because of its long-term and budgetary nature.

Mackinac Bridge Authority

The Mackinac Bridge Authority, which is reported as a special revenue fund, has over the years received $75.3 million of subsidies for operations ($12.3 million) and debt service ($63.0 million). These subsidies were provided by the State Trunkline and Michigan Transportation funds, respectively, both of which are special revenue funds. The Authority redeemed its remaining bonds on July 1, 1986.

Note 22 continued on next page.

State statutes require that the Authority continue charging bridge tolls and begin repaying the State funds for the subsidies provided. These repayments would continue until such time as the subsidies have been completely returned. Executive Order 1986-14 created the Governor's Mackinac Bridge Task Force to develop an advisory proposal concerning reimbursement of the subsidies, future funding of repair and renovation costs, and the bridge toll structure. The Authority has not recorded a liability and the State funds have not recorded receivables for these subsidies because the reimbursements are contingent upon future net revenues and because the repayment commitment is long-term and budgetary in nature.

NOTE 23 -- RETAINED EARNINGS

Designations:

Certain amounts of retained earnings for component units reported in the enterprise fund group are designated for specified purposes. Generally, these designations are required by the applicable bond agreements. The amounts (in millions), by component unit, as of the fiscal year-end are as follows:

	1986	1985
Michigan Higher Education Student Loan Authority	$ 38.4	$ 34.
Michigan Higher Education Assistance Authority	3.4	3.0
Mackinac Island State Park Commission	4.2	4.1
Michigan Strategic Fund	35.3	-
Michigan Economic Development Authority	-	6.6*
Michigan State Housing Development Authority	107.4	102.1
Total	$188.9	$150.7

*The Michigan Economic Development Authority was merged into the new Michigan Strategic Fund as of October 1, 1986 (see Note #1, part G).

Fund Deficits:

All funds and component units reported in the proprietary type funds have positive retained earnings balances except for the Department of Natural Resources Magazine Fund (enterprise) which has an accumulated deficit of $.7 million, the Federal Surplus Revolving Fund (internal service) which has an accumulated deficit of $.6 million and the Telecommunications Revolving Fund (internal service) which has an accumulated deficit of $.5 million.

NOTE 24 -- FUND BALANCES

Reservations:

The line entitled "reserved fund balance" on the combined balance sheet at September 30, 1986 consists of the following (in millions):

	General	Special Revenue	Debt Service	Capital Project	Pension Trust
Budgetary carry-forwards:					
Encumbrances	$ 93.0	$ 26.9	$ -	$ -	$ -
Restricted revenues	177.9	11.5	1.1	-	-
Multi-year projects (capital outlay and work projects)	245.9	303.7	-	.2	-
Revolving loan programs	5.7	-	-	-	-
State Building Authority reserves	-	7.1	-	-	-
Funds held as permanent investments	-	35.0	-	-	-
Noncurrent assets	21.9	124.9	-	-	-
Retirement Benefits	-	-	-	-	11,967.9
Total Reserved Fund Balances	$544.7	$509.4	$ 1.1	$ .2	$11,967.9

Budgetary carry-forwards represent unused spending authorization which continues to be available in the new year. Such amounts are reserved because the funds are legally segregated for a specific purpose. As explained more fully in Note #4, reserves for capital outlay carry-forwards in the General Fund, which are reflected in the "Multi-year projects" line above, were not recorded in prior fiscal years.

Note 24 continued on next page.

Reserves for revolving loan programs represent fund balance which has been appropriated for the purpose of making loans that will encourage economic development in the State. Repayments on such loans are authorized to be used for the making of new loans. State Building Authority reserves represent amounts which are restricted for construction or debt service related to its various projects. Funds held as permanent investment represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. These investments can include either specific investments held for the fund, or portions of the fund's share of the common cash pool.

The State does not record any reservations in expendable trust funds because the balances are all considered available for the purposes of the various funds. From the overall State perspective, the fund balances are restricted by the nature of the fund type and they are not available for general State purposes.

Fund deficits:

All governmental and fiduciary funds have positive ending unreserved fund balances except for the Michigan State Waterways Fund, which has a year-end deficit of $.7 million.

NOTE 25 -- SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Oversight Entity Funds - The State operates four enterprise funds. The Liquor Purchase Revolving Fund accounts for the State's activities in the distribution of liquor at the wholesale and retail levels. The fund is also used to account for certain liquor taxes that generate revenue for other State activities. Public Act 431 of 1984 requires that the net income of the fund be transferred to the General Fund.

The State Lottery Fund was classified as a special revenue fund prior to this fiscal year (see Note #4). In addition to State lottery games, regulation of bingo and charity games is accounted for in this fund. Profits from the lottery are transferred to the School Aid Fund and profits from regulation of bingo and charity games are transferred to the General Fund.

The Michigan State Fair Revolving Fund records the results of the annual State Fair and periodic rental of fairground facilities. The General Fund provides periodic transfers for the improvement of facilities.

The Department of Natural Resources Magazine Fund accounts for the production and sale of various publications.

Segment information for the fiscal year ended September 30, 1986 (in thousands) was as follows:

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	MICHIGAN STATE FAIR REVOLVING FUND	DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	SUBTOTAL OVERSIGHT ENTITY
Operating Revenues.....	$ 429,866	$ 1,017,530	$ 2,840	$ 1,571	$ 1,451,808
Depreciation and Amortization.	858	14,675	499	34	16,067
Operating Income (Loss).....	60,000	415,632	(1,772)	(206)	473,654
Tax Revenues.....	7,490	-	-	-	7,490
Operating Transfers:					
In:					
Contributed Fixed Assets..	-	-	1,199	-	1,199
Other Transfers.....	905	136	169	26	1,237
Operating Transfers In.	905	136	1,368	26	2,437
Out:					
Statutory Net Income Transfer.....	(61,996)	(415,733)	-	-	(477,729)
Administrative General Fund Costs.....	(6,384)	(189)	(74)	(20)	(6,669)
Operating Transfers Out	(68,381)	(415,922)	(74)	(20)	(484,399)
Net Income (Loss).....	-0-	(153)	(594)	(196)	(944)
Net Working Capital.....	38,634	38,318	(2,173)	(334)	74,444
Property, Plant, and Equipment	7,092	5,082	15,967	11	28,153
Total Assets.....	83,717	250,696	16,676	581	351,671
Long-term Liabilities.....	4,551	201,242	136	437	206,368
Total Equity (Deficit).....	41,175	5,815	13,657	(760)	59,888

Note 25 continued on next page.

Component Units - The enterprise fund type includes the following State financing authorities (and commission): the Michigan State Housing Development Authority (MSHDA), Michigan State Hospital Finance Authority (MSHFA), Michigan Higher Education Student Loan Authority (MHESLA), Michigan Higher Education Assistance Authority (MHEAA), Michigan Strategic Fund (MSF), and the Mackinac Island State Park Commission (MISPC).

Four of the authorities issue long-term debt to finance loans for the construction of multifamily and single family housing and home improvements (MSHDA), for capital improvements and equipment acquisition at nonprofit hospitals (MSHFA), for tuition to qualified students attending participating institutions of higher education (MHESLA), and for issuing loans and grants to private enterprises to foster economic expansion (MSF). The long-term debt of these authorities is financed mainly from loan repayments and investment income.

The MHEAA is the State guaranty agency under the Guaranteed Student Loan Program, the Michigan Auxiliary Student Loan Program and the Parent Loan for Undergraduate Students Program.

The MISPC accounts for the operation of the Mackinac Island State Park. The majority of its costs are financed through admission fees, although it does receive a partial subsidy in the form of a General Fund appropriation determined annually by the Legislature.

Segment information for component units included in the enterprise fund for the fiscal years ended in 1986 (in thousands) is as follows:

	MSHFA	MHESLA	MHEAA	MISPC	MSF	MSHDA	Subtotal Component Units
Operating Revenues	$ 178,244	$ 19,331	$ 58,053	$ 1,592	$ 9,419	$ 203,451	$ 470,091
Depreciation and Amortization Expense	-	542	-	154	-	722	1,418
Operating Income (Loss)	668	2,927	6,826	(991)	2,020	12,800	24,251
Operating Transfers: In (subsidies)	-	-	-	1,023	24,768	-	25,792
Out (indirect or overhead costs)	-	-	-	-	(563)	(257)	(821)
Net Income (Loss)	668	2,453	6,826	90	17,359	12,543	39,940
Net Working Capital	74,344	12,496	15,778	1,469	53,197	79,713	236,998
Property, Plant, and Equipment	-	-	-	3,201	-	-	3,201
Mortgage Notes and Loans Receivable (Net)	1,146,088	158,110	794	-	19,656	1,603,406	2,928,055
Total Assets	2,181,130	186,280	49,160	4,719	96,965	2,239,103	4,757,358
Bonds (Net) and Other Long-Term Liabilities	2,053,500	140,653	4,345	405	21,560	1,850,288	4,070,752
Total Equity	5,895	42,885	27,219	4,265	72,082	131,177	283,525

The following table demonstrates the relative shares of oversight entity funds and component units:

	OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTAL ENTERPRISE FUNDS
Operating Revenues	$ 1,451,808	$ 470,091	$ 1,921,900
Depreciation and Amortization Expense	16,067	1,418	17,485
Operating Income (Loss)	473,654	24,251	497,906
Tax Revenues	7,490	-	7,490
Operating Transfers: In	2,437	25,792	28,229
Out	(484,399)	(821)	(485,221)
Net Income (Loss)	(944)	39,940	38,995
Net Working Capital	74,444	236,998	311,444
Property, Plant, and Equipment	28,153	3,201	31,354
Mortgages and Loans Receivable (Net)	-	2,928,055	2,928,055
Total Assets	351,671	4,757,358	5,109,030
Bonds (Net) and Other Long-Term Liabilities	206,368	4,070,752	4,277,120
Total Equity	59,888	283,525	343,413

NOTE 26 -- STATE SPONSORED GROUP INSURANCE

The State is self-funded for most of its employee insurance benefit programs. The programs are accounted for in the State Sponsored Group Insurance Fund, an internal service fund. The fund is reported in accordance with the generally accepted accounting principles applicable to the private insurance industry. Loss reserves for incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of $60.8 million. This includes a long-term portion which is recorded at a discounted present value of $18.8 million. Unearned premium revenue of $73.5 million has been recorded as deferred revenues. These unearned premiums represent fund and employee contributions in excess of recognized expenses at the benefit program level.

The Department of Civil Service intends that the various component programs of the fund be self-supporting in the long run. Individual programs may incur deficits during a given year, but each program's surplus, unearned premium balance, or deficit is considered in calculating future charges or benefit levels.

NOTE 27 -- CONTINGENCIES AND COMMITMENTS

Litigation - The State is a party to various legal proceedings seeking damages or injunctive or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. These lawsuits involve programs generally in the areas of prison overcrowding and corrections, highway maintenance and transportation, social services, tax collection, comparable employee compensation, resident county hospitalization, commerce, and budgetary reductions to school districts and governmental units. Relief sought includes damages in tort cases generally, recovery of taxes paid under the Michigan Premium Tax and refund claims under the Single Business Tax. The State is also a party to various legal proceedings which, if resolved in the State's favor, would result in contingency gains to the State's General Fund balance, but without material effect upon fund balance. The ultimate dispositions and consequences of all of these proceedings are not presently determinable, but such ultimate dispositions and consequences of all these legal proceedings will not themselves, in the opinion of the Attorney General of the State, have a material adverse effect on the State's financial position.

The State accrues liabilities related to significant (generally, over $20 million) legal proceedings when the loss becomes probable and reasonably estimable. For the many proceedings which are, individually, not significant to the State's financial statements, losses are generally recognized if final settlement is made within 60 days of year-end. In the event that a significant, probable, and reasonably estimable loss is not settled within 60 days, the obligation is recorded as a general long-term liability or fund liability, depending on the fund type.

Wayne County Receivables

The General Fund includes revenue and a related receivable of $36.8 million from Wayne County for the resident county hospitalization program. Wayne County has discontinued payments and filed a lawsuit contesting their level of participation in the program and the assessment of the receivable. The State has a number of potential remedies available to address this problem and intends to pursue them.

Federal Grants - Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. The State recognizes material disallowances when the loss becomes probable and reasonably estimable. As of September 30, 1986, the State estimates that additional disallowances of recognized revenues will not be material to the statements.

For fiscal year 1985-86, estimated mispayments (both State and federal shares) in the Aid to Families with Dependent Children (AFDC) program totalled approximately $70 million. Total mispayments in the Medicaid program are not yet known for 1985-86, but were approximately $20 million for 1984-85. At this time, mispayments for the General Assistance program (fully funded by the State) can not be determined.

The federal government has issued a notice of intent to sanction the State because of mispayment rates in excess of federal targets for the Aid to Families with Dependent Children (AFDC) program. The amount of the potential sanction, which relates to fiscal year 1981-82, is $13.3 million. The State has submitted a waiver request based upon good faith efforts made to meet the target level. Should the State ultimately face disallowances, it is estimated that a total of $115.9 million for fiscal years 1981-82 through 1985-86 could potentially need to be repaid. No liability has been established for these potential disallowances because of the preliminary nature of the findings and the uncertainty as to the timing and amount of the ultimate outcome.

Note 27 continued on next page.

Construction Projects - As of September 30, 1986, several construction projects were in progress, with several others in the planning stages. A significant portion of these projects involve the construction and renovation of correctional facilities. A more detailed discussion of construction commitments is included in the construction in progress disclosures (Note #12).

The Department of Transportation has entered into contracts for State Trunkline Fund road and bridge construction. As of September 30, 1986, the balances remaining in these contracts equalled $250.0 million.

Contingent Liability for Local School District Bonds - Public Act 108 of 1961, as amended, resulted in a contingent liability for the bonds of any school district which are "qualified" by the Superintendent of Public Instruction. Every qualified school district is required to borrow and the State is required to lend to it any amount necessary for the school district to avoid a default on its qualified bonds. In the event that funds are not available in the School Bond Loan Fund in adequate amounts to make such a loan, the State is required to make such loans from the General Fund. As of December 31, 1986 the principal amount of qualified bonds outstanding was $1.8 billion. Total debt service requirements on these bonds including interest will approximate $247.2 million in 1987.

Student Loan Guarantees - The Michigan Higher Education Assistance Authority (MHEAA), which is reported as an enterprise fund in this report, is contingently liable for loans made to students by financial institutions that qualify for guaranty. The State of Michigan, other than MHEAA, is not liable for these loans. The MHEAA's default ratio is currently in excess of 5% for the fiscal year ended September 30, 1986. As a result, the federal government's reinsurance rate for defaults in excess of 5% for the fiscal year ended September 30, 1986, is 90%. In the event of future adverse default experience, the MHEAA could be liable for up to 20% of defaulted loans. The reinsurance rate returns to 100% at the beginning of each fiscal year, and management does not expect that all guaranteed loans could default in one year. Accordingly, the MHEAA's expected maximum contingent liability is less than 20% of outstanding guaranteed loans; however, the maximum contingent liability at September 30, 1986 is $252.9 million (20% of loans outstanding).

The MHEAA entered into commitment agreements with all lenders that provide, among other things, that the MHEAA will maintain cash and marketable securities of at least 2% of the aggregate unpaid principal amount of all loans they have guaranteed. The MHEAA was in compliance with this requirement as of September 30, 1986 and 1985.

Unemployment Compensation - The State is contingently liable for future unemployment benefits for current employees. The Michigan Employment Security Commission bills the State for the actual amount of claims paid through September 30 to former State employees. The State does not accrue liabilities for unemployment compensation to be paid in future fiscal years. During the 1985-86 fiscal year, the amount of claims paid to former State employees was $4.0 million. Future year payments have not been estimated.

II FINANCIAL SECTION

SUPPLEMENTAL FINANCIAL DATA

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
SEPTEMBER 30, 1986
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 200	$ -	$ 63
Equity in Common Cash	406,533	138,893	25,525
Taxes, interest, and penalties receivable (at net)	56,417	3	-
Amounts due from other funds	41,578	2,064	235
Amounts due from federal agencies	95,959	1,110	4,738
Amounts due from local units	15,220	947	-
Inventories	12,851	-	-
Investments	-	-	-
Other current assets	4,424	9,658	631
Total Current Assets	633,185	152,678	31,193
Taxes, interest, and penalties receivable (at net)	154	-	-
Advances to other funds	-	-	-
Amounts due from local units	116,540	-	-
Investments	-	-	-
Other noncurrent assets	14,000	-	-
Total Assets	$ 763,881	$ 152,678	$ 31,193
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Liability to Common Cash	$ -	$ 1,101	$ -
Warrants outstanding	8,767	463	148
Accounts payable and other liabilities	198,253	2,030	8,333
Amounts due to other funds	34,736	27	1,164
Deferred revenue	7,495	-	654
Total Current Liabilities	249,251	3,622	10,300
Long-Term Liabilities:			
Advances from other funds	-	-	-
Deferred revenue	17,455	-	-
Total Liabilities	266,706	3,622	10,300
Fund Balances:			
Reserved	369,135	69,255	833
Unreserved	128,039	79,799	20,059
Total Fund Balances	497,175	149,055	20,892
Total Liabilities and Fund Balances	$ 763,881	$ 152,678	$ 31,193

OTHER OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985 (RESTATED)
$ -	$ 395	$ 659	$ 847
396,641	-	967,593	888,499
100,488	-	156,908	154,013
6,131	408	50,417	50,966
156	-	101,965	97,881
328	19	16,516	21,431
-	-	12,851	11,462
-	16,147	16,147	84,722
1,126	146	15,987	16,885
504,873	17,117	1,339,048	1,326,710
2,462	-	2,616	3,155
2,130	-	2,130	2,283
9,565	-	126,106	135,091
14,998	-	14,998	54,746
-	-	14,000	12,268
$ 534,030	$ 17,117	$ 1,498,901	$ 1,534,255
$ 99,650	$ -	$ 100,752	$ 99,124
212	-	9,591	6,817
961	2,285	211,863	250,342
1	2,902	38,831	34,187
501	58	8,709	8,292
101,327	5,245	369,748	398,764
-	-	-	16,846
2,462	-	19,917	21,684
103,789	5,245	389,665	437,295
63,075	7,197	509,497	646,245
367,165	4,674	599,739	450,714
430,240	11,871	1,109,236	1,096,959
$ 534,030	$ 17,117	$ 1,498,901	$ 1,534,255

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED
REVENUES			
Taxes	$ 992,215	$ 3,119	$ -
From federal agencies	360,832	2,169	101,455
From local agencies	13,637	1,067	1,482
From services	963	-	-
From licenses and permits	23,377	28,448	4,103
Miscellaneous	46,617	75,578	8,963
Total Revenues	1,437,644	110,382	116,005
EXPENDITURES			
Current:			
General government	-	-	2,972
Education	-	-	-
Conservation, recreation, and agriculture	-	8,079	-
Labor, commerce, and regulatory	-	-	103,972
Transportation	853,218	-	-
Capital outlay	441,058	14,606	-
Debt service:			
Capital lease payments	1,337	-	3,165
Total Expenditures	1,295,614	22,686	110,109
Excess of Revenues over (under) Expenditures	142,029	87,695	5,895
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	-	-	-
Capital lease acquisitions	-	-	-
Operating transfers in	423,375	15,261	9,026
Operating transfers out	(551,278)	(72,426)	(11,419)
Total Other Financing Sources (Uses)	(127,903)	(57,165)	(2,392)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	14,126	30,530	3,502
Fund Balances - Beginning of fiscal year - as previously reported	483,048	118,525	18,498
Effect of accounting change	-	-	(1,108)
Fund Balances - Beginning of fiscal year - restated	483,048	118,525	17,390
Equity transfers from other funds	-	8,943	-
Equity transfers to other funds	-	(8,943)	-
Fund Balances - End of fiscal year	$ 497,175	$ 149,055	$ 20,892

OTHER OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	SEPTEMBER 30, 1985 (RESTATED)
$ 1,464,533	$ -	$ 2,459,867	$ 2,325,187
38,750	-	503,208	445,101
862	-	17,050	16,494
-	67	1,031	2,356
-	4,945	60,874	56,402
32,297	5,149	168,607	156,592
1,536,444	10,162	3,210,639	3,002,135
6,018	157	9,148	8,673
2,447,389	22,688	2,470,077	2,249,455
-	87	8,167	6,907
-	-	103,972	121,422
-	3,509	856,728	843,098
-	-	455,664	359,111
-	-	4,502	4,517
2,453,408	26,443	3,908,262	3,593,187
(916,963)	(16,280)	(697,623)	(591,051)
7,518	-	7,518	32,875
-	-	-	2,064
978,354	4,004	1,430,021	1,590,609
(17,819)	(73,000)	(725,944)	(676,600)
968,053	(68,995)	711,596	948,949
51,089	(85,275)	13,973	357,897
379,151	98,843	1,098,067	719,762
-	-	(1,108)	-
379,151	98,843	1,096,958	719,762
-	-	8,943	19,299
-	(1,696)	(10,639)	-
$ 430,240	$ 11,871	$ 1,109,236	$ 1,096,959

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	TRANSPORTATION RELATED		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 971,300	$ 992,215	$ 20,915
From federal agencies	325,200	360,832	35,632
From local agencies	18,400	13,619	(4,780)
From services	700	963	263
From licenses and permits	22,300	23,377	1,077
Miscellaneous	32,800	41,157	8,357
Operating transfers in	404,000	423,375	19,375
Total Revenues and Other Sources	1,774,700	1,855,541	80,841
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	-	-	-
State	-	-	-
Education	-	-	-
Natural Resources	-	-	-
Labor	-	-	-
Transportation	1,883,176	1,858,540	24,636
Total Expenditures, Operating Transfers Out, and Encumbrances	1,883,176	1,858,540	24,636
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (108,476)	(2,999)	$ 105,477
Reconciling Items:			
Encumbrances at September 30		25,698	
Funds not annually budgeted		(8,572)	
Net Reconciling Items		17,125	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		14,126	
FUND BALANCES (GAAP BASIS)			
Beginning balances - as previously reported		483,048	
Effect of accounting changes		-	
Beginning balances - restated		483,048	
Equity transfers from other funds		-	
Equity transfers to other funds		-	
Ending balances		$ 497,175	

CONSERVATION AND RECREATION RELATED			REGULATORY AND ADMINISTRATIVE RELATED			OTHER OVERSIGHT ENTITY FUNDS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,900	$ 3,119	$ 219	$ -	$ -	$ -	$ 1,457,800	$ 1,464,533	$ 6,733
-	2,169	2,169	-	6	6	38,700	38,750	50
-	117	117	-	-	-	700	862	162
-	-	-	-	-	-	-	-	-
20,500	28,448	7,948	3,100	4,103	1,003	-	-	-
49,400	72,433	23,033	8,500	8,479	(20)	33,100	31,438	(1,661)
11,200	15,026	3,826	-	229	229	1,007,300	978,354	(28,945)
84,000	121,314	37,314	11,600	12,819	1,219	2,537,600	2,513,939	(23,660)
-	-	-	4,000	3,998	1	25,315	23,842	1,473
-	-	-	1,080	472	607	-	-	-
-	-	-	-	-	-	2,444,392	2,444,392	-
89,558	89,365	192	-	-	-	-	-	-
-	-	-	5,532	5,344	187	-	-	-
-	-	-	-	-	-	-	-	-
89,558	89,365	192	10,612	9,815	796	2,469,708	2,468,234	1,473
$ (5,558)	31,948	$ 37,506	$ 987	3,003	$ 2,015	$ 67,891	45,704	$ (22,186)
	1,116			-			3	
	(2,535)			499			5,381	
	(1,418)			499			5,384	
	30,530			3,502			51,089	
	118,525			18,498			379,151	
	-			(1,108)			-	
	118,525			17,390			379,151	
	8,943			-			-	
	(8,943)			-			-	
	$ 149,055			$ 20,892			$ 430,240	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - BY CLASSIFICATION (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

Statutory/Budgetary Basis	COMPONENT UNITS			TOTALS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	$ -	$ -	$ -	$ 2,432,000	$ 2,459,867	$ 27,867
From federal agencies	-	-	-	363,900	401,759	37,859
From local agencies	-	-	-	19,100	14,599	(4,500)
From services	-	-	-	700	963	263
From licenses and permits	-	-	-	45,900	55,929	10,029
Miscellaneous	-	-	-	123,800	153,509	29,709
Operating transfers in	-	-	-	1,422,500	1,416,985	(5,514)
Total Revenues and Other Sources	-	-	-	4,407,900	4,503,614	95,714
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT						
Management and Budget	-	-	-	29,315	27,840	1,474
State	-	-	-	1,080	472	607
Education	-	-	-	2,444,392	2,444,392	-
Natural Resources	-	-	-	89,558	89,365	192
Labor	-	-	-	5,532	5,344	187
Transportation	-	-	-	1,883,176	1,858,540	24,636
Total Expenditures, Operating Transfers Out and Encumbrances	-	-	-	4,453,055	4,425,956	27,098
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ -	-	$ -	$ (45,155)	77,657	$ 122,813
Reconciling Items:						
Encumbrances at September 30		-			26,818	
Funds not annually budgeted		(85,275)			(90,502)	
Net Reconciling Items		(85,275)			(63,684)	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(85,275)			13,973	
FUND BALANCES (GAAP BASIS)						
Beginning balances - as previously reported		98,843			1,098,067	
Effect of accounting changes		-			(1,108)	
Beginning balances - restated		98,843			1,096,958	
Equity transfers from other funds		-			8,943	
Equity transfers to other funds		(1,696)			(10,639)	
Ending balances		$ 11,871			$ 1,109,236	

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STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1986

STATE AERONAUTICS FUND

This fund, established by P.A. 327 of 1945, is administered by the Department of Transportation for improvement of airports. Its budget is subject to annual legislative review and appropriation. Financing consists mostly of federal and local contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs.

STATE TRUNKLINE FUND

This fund is administered by the Department of Transportation for construction and maintenance of highways. Its overall budget is subject to annual legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Financing consists primarily of a transfer from the Michigan Transportation Fund, federal aid, and local participation. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. In accordance with statutory provisions, any unencumbered balance, at fiscal year-end, is appropriated for road and bridge construction purposes.

Under an arrangement with the Federal Highway Administration, the department has, over a period of years, qualified a number of construction projects financed from bond issues without placing them under a reimbursement agreement. These deferred federal aid projects may be converted to current reimbursement at the option of the department, to the extent of bond retirement, provided that there are adequate federal aid allocations. This arrangement was worked out between the states and the federal government so that the states could obtain federal reimbursement not received during the construction period, in case a relatively greater amount of federal aid became available at some later date.

The State Trunkline Fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Funds for such loans are made available by transfer from the 1983 State Trunkline Fund Bond Proceeds Fund and the 1984 State Trunkline Fund Bond Proceeds Fund. Loan repayments, which are received directly by the State Trunkline Fund, are not pledged to the payment of the bonds related to the loans.

MICHIGAN TRANSPORTATION FUND

This fund, established by P.A. 51 of 1951, Sec. 10, as amended, is administered jointly by the Department of Transportation and the Department of State. In addition, a number of types of revenue are collected by the Department of Treasury. The fund is a receiving fund for the several tax revenues dedicated to highway purposes. Transfers are made to the General Fund to pay the cost of collection of the dedicated revenues; to the Mackinac Bridge Authority to apply on payment of principal and interest of the outstanding bonds so bridge tolls can be reduced; and to the State Trunkline Fund, Comprehensive Transportation Fund, and the Michigan State Waterways Fund in accordance with the statutory formulae. Expenditures consist of grants to counties, cities, and villages for highway purposes in accordance with statutory formulae and pursuant to P.A. 5 of 1967 (Extra Session), Sec. 91.

COMPREHENSIVE TRANSPORTATION FUND

The Comprehensive Transportation Fund was created by Public Acts 326, 327, and 328 of 1972 and Public Act 197 of 1973. Further additions and amendments to the laws governing this fund were enacted in 1975, being Public Acts 195, 196, and 239.

The fund, under the direction of the Department of Transportation, was created for the purpose of planning and developing public transportation systems within the State. In accordance with statutory provisions, any unencumbered balance, at fiscal year-end, lapses and reverts to the fund for appropriation in the following fiscal year.

In addition to providing direct expenditures for public transportation purposes, the fund is increasingly being used to provide financing for entities providing bus and rail services. Such financing is provided primarily by purchasing buses and reselling them to private carriers on a credit basis and by purchasing and leasing back rail related assets.

Financing is provided by a transfer from the Michigan Transportation Fund, federal, local, vehicle related sales tax, and aviation related revenues.

COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $217 million of comprehensive transportation bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund.

The State Transportation Commission approved issuance of $106.3 million Series A bonds in 1980 and $50 million Series B bonds in 1981. These bonds are used to finance part of the costs of constructing and acquiring comprehensive transportation projects. A majority of these projects, as approved by legislative action, are undertaken to enhance local transportation systems.

1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $135 million of State trunkline bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for State trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

The State Transportation Commission approved issuance of $135 million bonds in 1983. These bonds are being used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system. The bonds were also used to finance loans to local units of government for reconstructing and resurfacing roadways. These loans are recorded in the State Trunkline Fund,which receives loan repayments.

1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $60 million of comprehensive transportation bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IV of the Michigan Constitution and irrevocably pledged by law for disposition in the Comprehensive Transportation Fund.

The State Transportation Commission approved issuance of $60 million bonds in 1984. These bonds are being used to finance part of the construction and acquisition of comprehensive transportation projects.

1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $50 million of State trunkline bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for State trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

The State Transportation Commission approved issuance of $50 million bonds in 1984. These bonds are being used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system. The bonds are also used to finance loans to local units of government for reconstructing and resurfacing roadways, by a transfer to the State Trunkline Fund where the loans are made and recorded.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
SEPTEMBER 30, 1986
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ 200	$ -
Equity in Common Cash	4,240	162,932	98,138
Taxes, interest, and penalties receivable (at net)	438	-	55,978
Amounts due from other funds	104	30,672	1,643
Amounts due from federal agencies	13,421	76,910	-
Amounts due from local units	2,654	11,658	298
Inventories	-	12,851	-
Other current assets	30	2,229	239
Total Current Assets	20,891	297,455	156,299
Taxes, interest, and penalties receivable (at net)	-	-	154
Amounts due from local units	922	112,618	-
Other noncurrent assets:			
Amounts due from private carriers	-	-	-
Land contracts outstanding	-	4,924	-
Miscellaneous	-	-	-
Total other noncurrent assets	-	4,924	-
Total Assets	$ 21,813	$ 414,998	$ 156,453
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ 1,045	$ 7,169	$ 181
Accounts payable and other liabilities	1,077	63,384	123,586
Amounts due to other funds	35	2,019	32,531
Deferred revenue	3,664	3,830	-
Total Current Liabilities	5,822	76,404	156,299
Long-Term Liabilities:			
Deferred revenue	-	5,224	154
Total Liabilities	5,822	81,628	156,453
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	91	9,173	-
Restricted revenues	-	633	-
Multi-year projects	11,038	211,244	-
Noncurrent assets	922	112,318	-
Total Reserved	12,052	333,369	-
Unreserved	3,938	-	-
Total Fund Balances	15,991	333,369	-0-
Total Liabilities and Fund Balances	$ 21,813	$ 414,998	$ 156,453

COMPREHENSIVE TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND	TOTALS	
					SEPTEMBER 30, 1986	SEPTEMBER 30, 1985
$ -	$ -	$ -	$ -	$ -	$ 200	$ 95
75,734	19,492	4,017	30,816	11,160	406,533	392,205
-	-	-	-	-	56,417	54,470
8,040	351	65	508	190	41,578	41,196
5,627	-	-	-	-	95,959	94,269
590	-	18	-	-	15,220	20,851
-	-	-	-	-	12,851	11,462
1,739	184	-	-	-	4,424	3,905
91,733	20,028	4,101	31,324	11,351	633,185	618,456
-	-	-	-	-	154	227
3,000	-	-	-	-	116,540	122,170
8,742	-	-	-	-	8,742	7,068
-	-	-	-	-	4,924	5,197
333	-	-	-	-	333	2
9,076	-	-	-	-	14,000	12,268
$ 103,809	$ 20,028	$ 4,101	$ 31,324	$ 11,351	$ 763,881	$ 753,123
$ 267	$ 102	$ -	$ 1	$ -	$ 8,767	$ 4,080
7,569	709	-	1,673	251	198,253	209,732
149	-	-	-	-	34,736	32,593
-	-	-	-	-	7,495	4,945
7,986	811	-	1,674	251	249,251	251,350
12,076	-	-	-	-	17,455	18,723
20,062	811	-	1,674	251	266,706	270,074
16,433	-	-	-	-	25,698	212,608
7,241	-	-	-	-	7,875	44,073
37	-	-	-	-	222,321	55,652
-	-	-	-	-	113,240	115,943
23,713	-	-	-	-	369,135	428,278
60,033	19,216	4,100	29,649	11,100	128,039	54,770
83,746	19,216	4,100	29,649	11,100	497,175	483,048
$ 103,809	$ 20,028	$ 4,101	$ 31,324	$ 11,351	$ 763,881	$ 753,123

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
REVENUES				
Taxes	$ 4,271	$ -	$ 944,725	$ 43,217
From federal agencies	25,102	329,350	-	6,379
From local agencies	3,650	9,968	-	-
From services	806	157	-	-
From licenses and permits	88	599	22,606	82
Miscellaneous	600	27,287	7,996	5,273
Total Revenues	34,520	367,364	975,328	54,953
EXPENDITURES				
Current:				
Transportation	32,052	213,098	495,831	100,955
Capital outlay	54	438,333	-	-
Debt service:				
Capital lease payments	-	1,337	-	-
Total Expenditures	32,106	652,770	495,831	100,955
Excess of Revenues over (under) Expenditures	2,413	(285,405)	479,497	(46,001)
OTHER FINANCING SOURCES (USES)				
Capital lease acquisitions	-	-	-	-
Operating transfers in	1	329,475	2,785	91,111
Operating transfers out	(343)	(47,385)	(482,282)	(21,167)
Total Other Financing Sources (Uses)	(341)	282,090	(479,497)	69,944
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	2,071	(3,315)	-	23,942
Fund Balances - Beginning of fiscal year	13,919	336,684	-0-	59,803
Equity transfers from other funds	-	-	-	-
Fund Balances - End of fiscal year	$ 15,991	$ 333,369	$ -0-	$ 83,746

COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ -	$ -	$ -	$ -	$ 992,215	$ 948,344
-	-	-	-	360,832	301,982
-	18	-	-	13,637	16,492
-	-	-	-	963	814
-	-	-	-	23,377	22,403
1,808	303	2,458	889	46,617	51,998
1,808	321	2,458	889	1,437,644	1,342,035
4,393	127	6,760	-	853,218	840,177
-	640	-	2,029	441,058	344,006
-	-	-	-	1,337	1,388
4,393	767	6,760	2,029	1,295,614	1,185,572
(2,585)	(445)	(4,301)	(1,140)	142,029	156,463
-	-	-	-	-	1,641
-	-	-	-	423,375	414,750
(10)	(15)	(14)	(58)	(551,278)	(545,515)
(10)	(15)	(14)	(58)	(127,903)	(129,123)
(2,596)	(461)	(4,316)	(1,198)	14,126	27,340
21,812	4,562	33,966	12,299	483,048	440,009
-	-	-	-	-	15,698
$ 19,216	$ 4,100	$ 29,649	$ 11,100	$ 497,175	$ 483,048

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	STATE AERONAUTICS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 3,900	$ 4,271	$ 371
From federal agencies	39,400	25,102	(14,297)
From local agencies	4,500	3,650	(849)
From services	600	806	206
From licenses and permits	100	88	(11)
Miscellaneous	500	600	100
Operating transfers in	-	1	1
Total Revenues and Other Sources	49,000	34,521	(14,478)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Transportation	35,020	32,541	2,478
Total Expenditures, Operating Transfers Out, and Encumbrances	35,020	32,541	2,478
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 13,979	1,980	$ (11,999)
Reconciling Items:			
Encumbrances at September 30		91	
Funds not annually budgeted		-	
Net Reconciling Items		91	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		2,071	
FUND BALANCES (GAAP BASIS)			
Beginning balances		13,919	
Equity transfers from other funds		-	
Ending balances		$ 15,991	

STATE TRUNKLINE FUND			MICHIGAN TRANSPORTATION FUND			COMPREHENSIVE TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABL
$ -	$ -	$ -	$ 924,500	$ 944,725	$ 20,225	$ 42,900	$ 43,217	$ 317
279,300	329,350	50,050	-	-	-	6,500	6,379	(120
13,900	9,968	(3,931)	-	-	-	-	-	-
100	157	57	-	-	-	-		-
400	599	199	21,700	22,606	906	100	82	(17
19,100	27,287	8,187	7,800	7,996	196	5,400	5,273	(126
316,700	329,475	12,775	-	2,785	2,785	87,300	91,111	3,811
629,500	696,840	67,340	954,000	978,114	24,114	142,200	146,064	3,864
708,972	709,328	(355)	981,473	978,114	3,358	157,710	138,555	19,155
708,972	709,328	(355)	981,473	978,114	3,358	157,710	138,555	19,155
$ (79,472)	(12,488)	$ 66,984	$ (27,473)	-	$ 27,473	$ (15,510)	7,509	$ 23,019
	9,173			-			16,433	
	-			-			-	
	9,173			-			16,433	
	(3,315)			-			23,942	
	336,684			-0-			59,803	
	-			-			-	
	$ 333,369			$ -0-			$ 83,746	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED			
	COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND
Statutory/Budgetary Basis	ACTUAL	ACTUAL	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES				
Taxes	$ -	$ -	$ -	$ -
From federal agencies	-	-	-	-
From local agencies	-	-	-	-
From services	-	-	-	-
From licenses and permits	-	-	-	-
Miscellaneous	-	-	-	-
Operating transfers in	-	-	-	-
Total Revenues and Other Sources	-	-	-	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT				
Transportation	-	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	-	-	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	-
Reconciling Items:				
Encumbrances at September 30	-	-	-	-
Funds not annually budgeted	(2,596)	(461)	(4,316)	(1,198)
Net Reconciling Items	(2,596)	(461)	(4,316)	(1,198)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	(2,596)	(461)	(4,316)	(1,198)
FUND BALANCES (GAAP BASIS)				
Beginning balances	21,812	4,562	33,966	12,299
Equity transfers from other funds	-	-	-	-
Ending balances	$ 19,216	$ 4,100	$ 29,649	$ 11,100

TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 971,300	$ 992,215	$ 20,915
325,200	360,832	35,632
18,400	13,619	(4,780)
700	963	263
22,300	23,377	1,077
32,800	41,157	8,357
404,000	423,375	19,375
1,774,700	1,855,541	80,841
1,883,176	1,858,540	24,636
1,883,176	1,858,540	24,636
$ (108,476)	(2,999)	$ 105,477
	25,698	
	(8,572)	
	17,125	
	14,126	
	483,048	
	$ 497,175	

STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1986

GAME AND FISH PROTECTION FUND

This fund was established by P.A. 17 of 1921. It is financed principally from hunting and fishing license fees whose purpose is to support the conservation program for preservation and control of fish and wildlife. Added revenues arise from the sale of oil and gas leases and subsequent royalties on land acquired by the fund. Activity in this fund consists primarily of transfers to the General Fund to finance appropriations made in the General Fund for game and fish related activities.

In addition, this fund, under provisions of P.A. 91 of 1925 as amended, makes grants through the General Fund to counties as payment in lieu of taxes on certain State owned real property purchased from this fund.

P.A. 101 of 1985 would have required the transfer to the Game and Fish Protection Fund of any monies as of October 1, 1985, in the subfund reserve created by section 4 of P.A. 204 of 1976. These funds had been in fund balance reserves of the former State Recreational Land Acquisition Trust Fund. P.A. 73 of 1986 established the Game and Fish Protection Trust Fund and mandated the transfer of these monies to that new fund.

MICHIGAN STATE WATERWAYS FUND

This fund was established by P.A. 320 of 1947 and is financed primarily from watercraft registration taxes and gasoline taxes. P.A. 303 of 1967, as amended by P.A. 153 of 1974, stipulates that 25% of watercraft registration taxes are revenue to the Michigan State Waterways Fund. P.A. 328 of 1972 as amended, provides that 1.25% of all State-imposed taxes collected on the sale of gasoline shall be credited to the Michigan State Waterways Fund after deducting collection costs and refunds. Gasoline taxes collected by the Michigan Transportation Fund are credited as operating transfers into the Michigan State Waterways Fund.

These revenues are directed primarily toward improvement of lake harbors, docking facilities, and inland waterways. Expenditures for certain items, such as capital outlay, grants to local units, and marine fuel purchases, are made directly from the fund. Other expenditures are recorded in the General Fund, with financing provided by transfers from this fund.

MARINE SAFETY FUND

This fund was established by P.A. 303 of 1967 and is financed principally by 75% of watercraft registration taxes imposed by this act. Amendatory Act 153 of 1974 provided a graduated watercraft registration tax based upon the length of a vessel or motorboat. Activities of this fund consist solely of transfers to the General Fund and the Michigan State Waterways Fund for water safety education programs, law enforcement, and establishment of regulations for the operation of watercraft on the waters of this State.

GAME AND FISH PROTECTION TRUST FUND

This fund was created by Public Act 73 of 1986 to restrict certain assets for the purpose of generating interest and earnings for periodic transfer to the Game and Fish Protection Fund. Initial funding in 1985-86 was by equity transfer of monies which were previously held in the State Recreational Land Acquisition Trust Fund in the subfund reserve established by P.A. 204 of 1976, Section 4. Additional investment funding is being provided primarily by mineral royalties from lands acquired by the Game and Fish Protection Fund which, by statute, are being retained for permanent investment. Only investment earnings are available for transfer to the Game and Fish Protection Fund as appropriated.

The resources of the Game and Fish Protection Trust Fund are available only for the investments and transfers described above.

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1986

STATE PARK IMPROVEMENT FUND

This fund was established by P.A. 149 of 1960 as amended, and is financed mainly by the proceeds of an authorized $20 million revenue dedicated bond issue and from State park permit fees necessary for entry by motor vehicle into designated State parks. Permit fees are recorded as operating transfers from the State Park Revenue Bond Fund which makes allocations from such fees.

The resources of this fund are subject to appropriations by the Legislature for operation, the acquisition of land, construction, development, and improvement of State parks.

MICHIGAN NATURAL RESOURCES TRUST FUND (previously named "State Recreational Land Acquisition Trust Fund")

This fund was established by P.A. 204 of 1976 as amended, and is administered by the Department of Natural Resources. Previous to 1981-82, except for specified exceptions, all bonus, rentals, and royalties derived from mineral interests in all mineral, coal, oil, and gas owned by the State were credited to the fund for future purchases of land for hunting or fishing and other recreational purposes, administrative expenditures, and for the payment of any taxes owed by the State on the land. P.A. 165 of 1982 amended P.A. 204 of 1976 by providing for periodic distributions of specified amounts to the State Economic Development Authority. P.A. 327 of 1982 revised this by requiring that from its December 13, 1982 effective date through September 30, 2032, these mineral interests be credited to the Heritage Trust Fund, which was an agency fund created by P.A. 328 of 1982. That fund has made the mandated distributions to the Economic Development Authority and transferred excess revenues to the State Recreational Land Acquisition Trust Fund to finance the expenditures originally specified in P.A. 204.

The State Constitution was amended in November 1984 to provide for a "Michigan Natural Resources Trust Fund." As stipulated by P.A. 101 of 1985, the State Recreational Land Acquisition Trust Fund was merged into the new fund effective October 1, 1985. This law also eliminated the Heritage Trust Fund as of October 1, 1985, but continues its distributions to the Economic Development Authority (which was merged into the Strategic Fund as of October 1) from the new "Michigan Natural Resources Trust Fund" which receives those mineral interests previously credited to the Heritage Trust Fund. Public Act 73 of 1986 required the transfer of monies previously held in the "Game and Fish" subfund reserve to provide the original funding for the newly created Game and Fish Protection Trust Fund.

WATER POLLUTION CONTROL BOND FUND

This fund was established by P.A. 329 of 1966 to account for the proceeds of $335.0 million of general obligation bonds approved by the people in November, 1968, for the prevention and abatement of water pollution. This approval was obtained under the general authority of Section 15, Article IX, of the 1963 Constitution and P.A. 76 of 1968. Bond sales were completed in November, 1984 with a $33.0 million sale. The proceeds of these bonds are used to assist local units of government in financing construction of facilities for treatment of sewage and other liquid wastes.

MICHIGAN NONGAME FISH AND WILDLIFE FUND

This fund was established by P.A. 189 of 1983 which allows a Michigan State income taxpayer to designate $2 or more of his or her tax refund for the purposes specified in the act. They include research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this State. P.A. 145 of 1985 extends this provision through tax year 1994 or until the fund's assets exceed $6.0 million. These funds must be appropriated by the Legislature before expenditure. Expenditures occur in the General Fund and are financed by operating transfers.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED
SEPTEMBER 30, 1986
(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	GAME AND FISH PROTECTION TRUST FUND	STATE PARK IMPROVEMENT FUND
ASSETS					
Current Assets:					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Equity in Common Cash	-	3,855	82	10,381	5,338
Taxes, interest, and penalties receivable	-	3	-	-	-
Amounts due from other funds	-	28	-	168	5
Amounts due from federal agencies	336	61	712	-	-
Amounts due from local units	16	-	-	-	-
Other current assets	6,114	5	-	140	-
Total Current Assets	6,467	3,953	794	10,691	5,344
Total Assets	$ 6,467	$ 3,953	$ 794	$ 10,691	$ 5,344
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Liability to common cash	$ 1,101	$ -	$ -	$ -	$ -
Warrants outstanding	3	5	-	-	7
Accounts payable and other liabilities	18	65	-	-	187
Amounts due to other funds	20	-	6	-	-
Total Current Liabilities	1,144	71	7	-	195
Total Liabilities	1,144	71	7	-	195
Fund Balances:					
Reserves for:					
Budgetary carry-forwards:					
Encumbrances	127	234	-	-	755
Restricted revenues	2,683	88	-	-	-
Multi-year projects	1,591	4,277	-	-	3,207
Funds held as permanent investments	-	-	-	10,691	-
Total Reserved	4,402	4,599	-	10,691	3,962
Unreserved	919	(716)	787	-	1,186
Total Fund Balances	5,322	3,882	787	10,691	5,148
Total Liabilities and Fund Balances	$ 6,467	$ 3,953	$ 794	$ 10,691	$ 5,344

MICHIGAN NATURAL RESOURCES TRUST FUND	WATER POLLUTION CONTROL BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	TOTALS	
			SEPTEMBER 30, 1986	SEPTEMBER 30, 1985
$ -	$ -	$ -	$ -	$ 182
106,227	12,378	630	138,893	112,101
-	-	-	3	1
1,656	204	-	2,064	1,965
-	-	-	1,110	1,676
-	931	-	947	16
3,398	-	-	9,658	8,825
111,281	13,514	630	152,678	124,768
$ 111,281	$ 13,514	$ 630	$ 152,678	$ 124,768
$ -	$ -	$ -	$ 1,101	$ -
445	-	-	463	2,589
85	1,672	-	2,030	3,561
-	-	-	27	92
531	1,672	-	3,622	6,243
531	1,672	-	3,622	6,243
-	-	-	1,116	20,525
-	-	-	2,771	12,653
45,599	-	-	54,676	44,540
-	-	-	10,691	7,987
45,599	-	-	69,255	85,707
65,150	11,841	630	79,799	32,818
110,750	11,841	630	149,055	118,525
$ 111,281	$ 13,514	$ 630	$ 152,678	$ 124,768

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	GAME AND FISH PROTECTION TRUST FUND	STATE PARK IMPROVEMENT FUND
REVENUES					
Taxes	$ -	$ 805	$ 2,314	$ -	$ -
From federal agencies	920	101	712	-	180
From local agencies	-	-	117	-	-
From licenses and permits	28,416	31	-	-	-
Miscellaneous	6,540	1,281	1	2,066	203
Total Revenues	35,877	2,219	3,145	2,066	384
EXPENDITURES					
Current:					
Conservation, recreation, and agriculture.	452	594	44	-	-
Capital outlay	857	508	-	-	2,399
Total Expenditures	1,310	1,103	44	-	2,399
Excess of Revenues over (under) Expenditures	34,567	1,115	3,100	2,066	(2,014)
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issues	-	-	-	-	-
Operating transfers in	1,457	7,503	37	-	4,542
Operating transfers out	(40,781)	(6,507)	(2,704)	(318)	(2,331)
Total Other Financing Sources (Uses)	(39,323)	995	(2,666)	(318)	2,210
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(4,756)	2,111	434	1,747	195
Fund Balances - Beginning of fiscal year	10,079	1,771	353	-0-	4,952
Equity transfers from other funds	-	-	-	8,943	-
Equity transfers to other funds	-	-	-	-	-
Fund Balances - End of fiscal year	$ 5,322	$ 3,882	$ 787	$ 10,691	$ 5,148

MICHIGAN NATURAL RESOURCES TRUST FUND	WATER POLLUTION CONTROL BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ -	$ -	$ -	$ 3,119	$ 3,029
254	-	-	2,169	3,176
-	949	-	1,067	1
-	-	-	28,448	25,698
63,902	1,078	504	75,578	44,966
64,156	2,028	504	110,382	76,874
441	6,545	-	8,079	6,787
10,841	-	-	14,606	15,097
11,283	6,545	-	22,686	21,885
52,873	(4,517)	504	87,695	54,988
-	-	-	-	32,875
1,484	234	-	15,261	8,994
(19,412)	-	(370)	(72,426)	(43,728)
(17,927)	234	(370)	(57,165)	(1,858)
34,946	(4,282)	133	30,530	53,130
84,747	16,124	497	118,525	65,395
-	-	-	8,943	-
(8,943)	-	-	(8,943)	-
$ 110,750	$ 11,841	$ 630	$ 149,055	$ 118,525

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	GAME AND FISH PROTECTION FUND			MICHIGAN STATE WATERWAYS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	$ -	$ -	$ -	$ 700	$ 805	$ 105
From federal agencies	-	920	920	-	101	101
From local agencies	-	-	-	-	-	-
From licenses and permits	20,500	28,416	7,916	-	31	31
Miscellaneous	6,200	6,540	340	1,000	1,281	281
Operating transfers in	-	1,457	1,457	7,200	7,503	303
Total Revenues and Other Sources	26,700	37,335	10,635	8,900	9,722	822
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT						
Natural Resources	41,569	42,219	(650)	8,615	7,844	770
Total Expenditures, Operating Transfers Out, and Encumbrances	41,569	42,219	(650)	8,615	7,844	770
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (14,869)	(4,884)	$ 9,984	$ 284	1,877	$ 1,593
Reconciling Items:						
Encumbrances at September 30		127			234	
Funds not annually budgeted		-			-	
Net Reconciling Items		127			234	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(4,756)			2,111	
FUND BALANCES (GAAP BASIS)						
Beginning balances		10,079			1,771	
Equity transfers from other funds		-			-	
Equity transfers to other funds		-			-	
Ending balances		$ 5,322			$ 3,882	

MARINE SAFETY FUND			STATE PARK IMPROVEMENT FUND			MICHIGAN NATURAL RESOURCES TRUST FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,200	$ 2,314	$ 114	$ -	$ -	$ -	$ -	$ -	$ -
-	712	712	-	180	180	-	254	254
-	117	117	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	1	1	400	203	(196)	41,300	63,902	22,602
-	37	37	4,000	4,542	542	-	1,484	1,484
2,200	3,183	983	4,400	4,927	527	41,300	65,641	24,341
3,066	2,749	317	5,677	5,486	191	30,258	30,695	(436)
3,066	2,749	317	5,677	5,486	191	30,258	30,695	(436)
$ (866)	434	$ 1,300	$ (1,277)	(559)	$ 718	$ 11,041	34,946	$ 23,904
	-			755			-	
	-			-			-	
	-			755			-	
	434			195			34,946	
	353			4,952			84,747	
	-			-			-	
	-			-			(8,943)	
	$ 787			$ 5,148			$ 110,750	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

				FUNDS NOT ANNUALLY BUDGETED	
	MICHIGAN NONGAME FISH AND WILDLIFE FUND			GAME AND FISH PROTECTION TRUST FUND	WATER POLLUTION CONTROL BOND FUND
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES					
Taxes	$ -	$ -	$ -	$ -	$ -
From federal agencies	-	-	-	-	-
From local agencies	-	-	-	-	-
From licenses and permits	-	-	-	-	-
Miscellaneous	500	504	4	-	-
Operating transfers in	-	-	-	-	-
Total Revenues and Other Sources	500	504	4	-	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT					
Natural Resources	370	370	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	370	370	-	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 129	133	$ 4	-	-
Reconciling Items:					
Encumbrances at September 30		-		-	-
Funds not annually budgeted		-		1,747	(4,282)
Net Reconciling Items		-		1,747	(4,282)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		133		1,747	(4,282)
FUND BALANCES (GAAP BASIS)					
Beginning balances		497		-0-	16,124
Equity transfers from other funds		-		8,943	-
Equity transfers to other funds		-		-	-
Ending balances		$ 630		$ 10,691	$ 11,841

TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,900	$ 3,119	$ 219
-	2,169	2,169
-	117	117
20,500	28,448	7,948
49,400	72,433	23,033
11,200	15,026	3,826
84,000	121,314	37,314
89,558	89,365	192
89,558	89,365	192
$ (5,558)	31,948	$ 37,506
	1,116	
	(2,535)	
	(1,418)	
	30,530	
	118,525	
	8,943	
	(8,943)	
	$ 149,055	

STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1986

MICHIGAN EMPLOYMENT SECURITY ACT -- ADMINISTRATION FUND

This fund was created by P.A. 1 of 1936 (Extra Session). The fund derives most of its revenue from federal grants. When approved by the MES commission, transfers are made from the Michigan Employment Security Act (MESA) contingency fund (reported in the trust category) to this fund. The Legislature does not review the budget for this activity. As its name indicates, the administrative costs of this operation are accounted for in this fund.

Unemployment benefit payments to individuals are made directly by the agency from trust funds accumulated from employer premium payments. These activities are not reflected in the annual financial report. This activity is discussed in more detail in the footnote on the reporting entity.

MOTOR VEHICLE ACCIDENT CLAIMS FUND

The Motor Vehicle Accident Claims Fund, established by P.A. 198 of 1965, was financed by a $45 fee for uninsured motor vehicles. The purpose of this fund has been diminished by P.A. 294 of 1972. This act implemented "no fault" insurance in Michigan and requires that the owner of each motor vehicle registered in Michigan be covered by the insurance specified in the act. Since October 1, 1973, the effective date of this act, the $45 fee for uninsured motorists has not been collected.

Currently, revenues are derived from installment repayments by uninsured motorists for claims and/or court judgments and from interest earnings. Claim settlements and administrative costs are appropriated in the General Fund where they are incorporated in the Department of State's budget. Transfers are made from the Motor Vehicle Accident Claims Fund to the General Fund to defray the cost of claims and administration.

Claims which have been settled but unreimbursed by uninsured motorists found at fault amounted to $23.3 million at September 30, 1985. Of this amount, approximately $18.6 million is anticipated to be uncollectable. Because of the poor history of recoveries of such settlements this amount has not been reflected in the financial statements by the recognition of revenue and the corresponding amount receivable.

SAFETY EDUCATION AND TRAINING FUND

This fund was established by P.A. 24 of 1977, as amended, under the jurisdiction of the Department of Labor. P.A. 24 imposes an annual levy on each insurance carrier licensed to do workers' disability compensation business in the State, from the State Accident Fund, and from each self-insured employer. The act provides for deposit of these assessments in the Safety Education and Training Fund to finance the Safety Education and Training Division of the Department of Labor. These funds are annually appropriated by the Legislature for operations. These expenditures occur in the General Fund and are financed by operating transfers from this fund.

STATE CONSTRUCTION CODE FUND

The State Construction Code Fund was created by P.A. 371 of 1980. Fees established by the Director of the Department of Labor, as approved by the Construction Code Commission, for acts and services performed by the commission are deposited in the fund. The fees received for building permit applications and other funds collected under this act are appropriated by the Legislature for the operation of the bureau of construction codes and related indirect overhead expenditures. These expenditures are recorded in the General Fund with an operating transfer being made from this fund to finance them.

MICHIGAN JUSTICE TRAINING FUND

The Michigan Justice Training Fund was created by P.A. 302 of 1982 to support the activites of the Michigan Justice Training Commission. The Commission distributes funds to governmental units, including the Michigan Department of State Police, to provide for criminal justice training of police officers. Funds are derived by an assessment on certain civil infractions. The act states that the Commission and fund will cease to exist as of October 12, 1987.

STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1986

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

The Homeowner Construction Lien Recovery Fund was established by P.A. 497 of 1980 to allow contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid despite filing a residential lien. The fund is self-sustaining and is financed by fees assessed on builders, electrical and plumbing contractors, and laborers. Expenditures are recorded in the General Fund with financing provided by operating transfers from the fund.

STATE LOTTERY FUND

As explained in Note #4, this fund has been reclassified as of October 1, 1985 from the special revenue fund group to the enterprise fund group.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
SEPTEMBER 30, 1986
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT ADMS. FUND	MOTOR VEHICLE ACCIDENT CLAIMS FUND	SAFETY EDUCATION AND TRAINING FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 34	$ -	$ 3
Equity in Common Cash	4,891	1,801	7,977
Amounts due from other funds	-	19	124
Amounts due from federal agencies	4,738	-	-
Other current assets	6	-	137
Total Current Assets	9,670	1,821	8,244
Total Assets	$ 9,670	$ 1,821	$ 8,244
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ 145	$ -	$ -
Accounts payable and other liabilities	6,873	-	-
Amounts due to other funds	1,164	-	-
Deferred revenue	654	-	-
Total Current Liabilities	8,837	-	-
Total Liabilities	8,837	-	-
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	160	-	-
Restricted revenues	652	-	-
Multi-year projects	20	-	-
Total reserved	833	-	-
Unreserved	-	1,820	8,243
Total Fund Balances	833	1,820	8,243
Total Liabilities and Fund Balances	$ 9,670	$ 1,821	$ 8,244

STATE CONSTRUCTION CODE FUND	MICHIGAN JUSTICE TRAINING FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	TOTALS	
			SEPTEMBER 30, 1986	SEPTEMBER 30, 1985 (RESTATED)
$ 24	$ -	$ -	$ 63	$ 163
3,109	5,001	2,743	25,525	27,058
44	-	46	235	242
-	-	-	4,738	1,935
34	452	-	631	792
3,213	5,453	2,790	31,193	30,192
$ 3,213	$ 5,453	$ 2,790	$ 31,193	$ 30,192
$ 2	$ -	$ -	$ 148	$ 124
4	1,454	-	8,333	7,998
-	-	-	1,164	1,394
-	-	-	654	3,284
7	1,454	-	10,300	12,802
7	1,454	-	10,300	12,802
-	-	-	160	103
-	-	-	652	305
-	-	-	20	20
-	-	-	833	429
3,206	3,999	2,789	20,059	16,960
3,206	3,999	2,789	20,892	17,390
$ 3,213	$ 5,453	$ 2,790	$ 31,193	$ 30,192

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT ADMS. FUND	MOTOR VEHICLE ACCIDENT CLAIMS FUND	SAFETY EDUCATION AND TRAINING FUND
REVENUES			
From federal agencies	$ 101,448	$ -	$ 6
From local agencies	1,482	-	-
From licenses and permits	-	-	-
Miscellaneous	92	582	2,472
Total Revenues	103,023	582	2,479
EXPENDITURES			
Current:			
General government	-	-	-
Labor, commerce, and regulatory	103,972	-	-
Capital outlay	-	-	-
Debt service:			
Capital lease payments	3,165	-	-
Total Expenditures	107,137	-	-
Excess of Revenues over (under) Expenditures	(4,113)	582	2,479
OTHER FINANCING SOURCES (USES)			
Capital lease acquisitions	-	-	-
Operating transfers in	8,796	-	49
Operating transfers out	(4,279)	(472)	(2,356)
Total Other Financing Sources (Uses)	4,517	(471)	(2,306)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	403	110	172
Fund Balances - Beginning of fiscal year - as previously reported	429	1,710	8,071
Effect of accounting change	-	-	-
Fund Balances - Beginning of fiscal year - restated	429	1,710	8,071
Fund Balances - End of fiscal year	$ 833	$ 1,820	$ 8,243

STATE CONSTRUCTION CODE FUND	MICHIGAN JUSTICE TRAINING FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	STATE LOTTERY FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985 (RESTATED)
$ -	$ -	$ -	$ -	$ 101,455	$ 106,941
-	-	-	-	1,482	-
4,103	-	-	-	4,103	3,498
163	5,261	391	-	8,963	8,894
4,266	5,261	391	-	116,005	119,335
-	2,972	-	-	2,972	3,481
-	-	-	-	103,972	121,022
-	-	-	-	-	7
-	-	-	-	3,165	3,129
-	2,972	-	-	110,109	127,640
4,266	2,288	391	-	5,895	(8,305)
-	-	-	-	-	422
179	-	-	-	9,026	18,863
(2,988)	(1,025)	(296)	-	(11,419)	(10,909)
(2,809)	(1,025)	(296)	-	(2,392)	8,376
1,457	1,263	95	-	3,502	71
1,748	2,736	2,693	1,108	18,498	17,318
-	-	-	(1,108)	(1,108)	-
1,748	2,736	2,693	-0-	17,390	17,318
$ 3,206	$ 3,999	$ 2,789	$ -0-	$ 20,892	$ 17,390

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	MOTOR VEHICLE ACCIDENT CLAIMS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
From federal agencies	$ -	$ -	$ -
From licenses and permits	-	-	-
Miscellaneous	400	582	182
Operating transfers in	-	-	-
Total Revenues and Other Sources	400	582	182
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	-	-	-
State	1,080	472	607
Labor	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	1,080	472	607
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (680)	110	$ 790
Reconciling Items:			
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		110	
FUND BALANCES (GAAP BASIS)			
Beginning balances - as previously reported		1,710	
Effect of accounting change		-	
Beginning balances - restated		1,710	
Ending balances (GAAP Basis)		$ 1,820	

SAFETY EDUCATION AND TRAINING FUND			STATE CONSTRUCTION CODE FUND			MICHIGAN JUSTICE TRAINING FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ 6	$ 6	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	3,100	4,103	1,003	-	-	-
3,500	2,472	(1,027)	100	163	63	4,500	5,261	761
-	49	49	-	179	179	-	-	-
3,500	2,529	(970)	3,200	4,446	1,246	4,500	5,261	761
-	-	-	-	-	-	4,000	3,998	1
-	-	-	-	-	-	-	-	-
2,543	2,356	187	2,988	2,988	-	-	-	-
2,543	2,356	187	2,988	2,988	-	4,000	3,998	1
$ 956	172	$ (783)	$ 211	1,457	$ 1,246	$ 500	1,263	$ 763
	-			-			-	
	-			-			-	
	172			1,457			1,263	
	8,071			1,748			2,736	
	-			-			-	
	8,071			1,748			2,736	
	$ 8,243			$ 3,206			$ 3,999	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED		
	MICHIGAN EMPLOYMENT SECURITY ACT ADMINISTRATION FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	STATE LOTTERY FUND
Statutory/Budgetary Basis	ACTUAL	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES			
From federal agencies	$ -	$ -	$ -
From licenses and permits	-	-	-
Miscellaneous	-	-	-
Operating transfers in	-	-	-
Total Revenues and Other Sources	-	-	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	-	-	-
State	-	-	-
Labor	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	-	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/ budgetary basis)	-	-	-
Reconciling Items:			
Funds not annually budgeted	403	95	-
Net Reconciling Items	403	95	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	403	95	-
FUND BALANCES (GAAP BASIS)			
Beginning balances - as previously reported	429	2,693	1,108
Effect of accounting change	-	-	(1,108)
Beginning balances - restated	429	2,693	-0-
Ending balances (GAAP Basis)	$ 833	$ 2,789	$ -0-

TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ 6	$ 6
3,100	4,103	1,003
8,500	8,479	(20)
-	229	229
11,600	12,819	1,219
4,000	3,998	1
1,080	472	607
5,532	5,344	187
10,612	9,815	796
$ 987	3,003	$ 2,015
	499	
	499	
	3,502	
	18,498	
	(1,108)	
	17,390	
	$ 20,892	

STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - OTHER OVERSIGHT ENTITY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

This fund, which is commonly referred to as the Budget Stabilization Fund, was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession and high unemployment. In general, transfers are made into this fund from the General Fund during improving economic times. Funds flow from this fund to the General Fund in times of declining economy. Subject to certain limits, funds can also be transferred out or reserved to help finance capital outlay projects.

Amounts transferred to the fund are limited to actual appropriations made annually by the Legislature. Such appropriations may be based on a formula that is dependent on the annual growth rate as defined by the statute.

Transfers from the fund are based upon a formula which is dependent upon unemployment rates; however, under certain conditions the Legislature may override the formula and make appropriations from the fund. In the event that the fund balance at year end exceeds 25% of the actual General Fund general purpose revenue for the fiscal year, the law provides that the excess be rebated on the individual income tax returns filed in the following fiscal year.

MICHIGAN VETERANS' BENEFIT (TRUST) FUND

This fund was created by P.A. 9 of 1946 (First Extra Session). The purpose of the fund is to account for the earnings of the fund, consisting primarily of interest earned on a $50.0 million trust corpus, and the distribution of such earnings to veterans and their beneficiaries for various assistance programs and for the administrative costs of the fund. The trust corpus has periodically, by statute, been transferred (in 1959 and 1976) to the General Fund. The statutes authorizing these transfers have provided for an annual repayment schedule from the General Fund so that the principal is restored and the annual operating needs of the trust fund are met. The fund is administered by a six member board of trustees.

SCHOOL AID FUND

This fund was created in 1955 by an amendment to the 1908 Constitution. Its continued existence was provided for by the 1963 Constitution. Its purpose is to furnish aid to school districts and provide financing for the Public School Employees' Retirement System. The principle sources of financing are the constitutional dedication of sixty percent of total State sales tax revenue, statutory levies of a one mill cigarette tax, a four percent liquor excise tax, annual transfers from the General Fund, and transfers from the State Lottery Fund. Payments of aid to school districts are based on a statutory formula which provides that if dedicated tax revenues are not sufficient, the deficiency is to be appropriated from the General Fund.

VIETNAM VETERAN ERA BONUS FUND

This fund was established by P.A. 370 of 1974, as amended, to account for the proceeds of $205 million authorized general obligation bonds approved by the people in November, 1974, to provide a service bonus to veterans, or their beneficiaries, who served in the armed forces of the United States between January 1, 1961 and September 1, 1973. Applications for benefits under this act were to be filed or received before September 30, 1980. Administrative costs for processing all bonus payments are in the General Fund.

The payment of service bonuses has been prolonged due to a federal court action which resulted in the redetermination of all denied claims and the determination of additional new claims. Completion of the activity of this fund is anticipated to occur during the 1986-87 fiscal year.

SCHOOL BOND LOAN FUND

The 1963 Constitution (Art. IX, Sec. 16) and P.A. 74 of 1955 authorized the issuance of State general obligation bonds to provide funds for loans to school districts. The proceeds of these bonds are credited to the fund as an "Other Financing Source." Loans are made for the payment of principal and interest on school district bonds under prescribed circumstances. These are reflected as expenditures of the fund when the loan is made. Repayments of loans are credited as revenue to the School Loan Bond Redemption Fund, a debt service fund which reports the debt service on the State bonds.

CHILDREN'S TRUST FUND

The Children's Trust Fund was established by P.A. 249 of 1982 to support the State Child Abuse and Neglect Prevention Board. Established under P.A. 250 of 1982, the purpose of the board is to coordinate and fund child abuse and neglect prevention activities in the State.

Funding is derived from taxpayer designation of a portion of the tax refund on the individual's income tax return, other gifts, and interest earnings. One half of the tax refund designations are placed in a trust corpus. When the total assets of the fund exceed $20 million, the earnings credited to the fund will be available for disbursement. Until that time, the amount available for disbursement is limited to 1/2 of tax refund designations, all additional donations, and interest earnings credited to the fund in previous years.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - OTHER OVERSIGHT ENTITY FUNDS
SEPTEMBER 30, 1986
(In Thousands)

	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	MICHIGAN VETERANS' BENEFIT (TRUST) FUND	SCHOOL AID FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ -	$ -
Equity in Common Cash	379,251	9,705	-
Taxes, interest, and penalties receivable (at net)	-	-	100,488
Amounts due from other funds	5,800	313	-
Amounts due from federal agencies	-	-	-
Amounts due from local units	-	328	-
Other current assets	-	585	500
Total Current Assets	385,052	10,933	100,988
Taxes, interest, and penalties receivable (at net)	-	-	2,462
Advances to other funds	-	2,130	-
Amounts due from local units	-	-	9,565
Investments	-	14,279	-
Total Assets	$ 385,052	$ 27,344	$ 113,016
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Liability to Common Cash	$ -	$ -	$ 99,650
Warrants outstanding	-	1	205
Accounts payable and other liabilities	-	249	629
Amounts due to other funds	-	-	-
Deferred revenue	-	-	501
Total Current Liabilities	-	251	100,988
Long-Term Liabilities:			
Deferred revenue	-	-	2,462
Total Liabilities	-	251	103,450
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	-	-	-
Restricted revenues	-	254	-
Multi-year projects	26,718	-	-
Funds held as permanent investments	-	22,894	-
Noncurrent assets	-	2,130	9,565
Total Reserved	26,718	25,279	9,565
Unreserved	358,333	1,812	-
Total Fund Balances	385,052	27,092	9,565
Total Liabilities and Fund Balances	$ 385,052	$ 27,344	$ 113,016

VIETNAM VETERAN ERA BONUS FUND	SCHOOL BOND LOAN FUND	CHILDREN'S TRUST FUND	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985
$ -	$ -	$ -	$ -	$ 2
1,326	5,289	1,069	396,641	357,134
-	-	-	100,488	99,542
-	-	16	6,131	7,561
-	-	156	156	-
-	-	-	328	506
-	-	41	1,126	52
1,326	5,289	1,284	504,873	464,799
-	-	-	2,462	2,927
-	-	-	2,130	2,283
-	-	-	9,565	12,920
-	-	718	14,998	-
$ 1,326	$ 5,289	$ 2,002	$ 534,030	$ 482,931
$ -	$ -	$ -	$ 99,650	$ 99,124
-	-	4	212	22
5	20	56	961	1,669
-	-	1	1	1
-	-	-	501	-
5	20	62	101,327	100,819
-	-	-	2,462	2,960
5	20	62	103,789	103,780
-	-	3	3	3
-	-	-	254	799
-	-	-	26,718	-
-	-	1,507	24,401	19,304
-	-	-	11,696	15,170
-	-	1,511	63,075	35,277
1,321	5,269	428	367,165	343,873
1,321	5,269	1,940	430,240	379,151
$ 1,326	$ 5,289	$ 2,002	$ 534,030	$ 482,931

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - OTHER OVERSIGHT ENTITY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	MICHIGAN VETERANS' BENEFIT (TRUST) FUND	SCHOOL AID FUND
REVENUES			
Taxes	$ -	$ -	$ 1,464,533
From federal agencies	-	-	38,594
From local agencies	-	-	862
Miscellaneous	28,213	1,973	1
Total Revenues	28,213	1,973	1,503,991
EXPENDITURES			
Current:			
General government	-	5,323	-
Education	-	-	2,444,392
Total Expenditures	-	5,323	2,444,392
Excess of Revenues over (under) Expenditures	28,213	(3,350)	(940,401)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	-	-	-
Operating transfers in	30,600	10,659	937,079
Operating transfers out	(14,681)	(3,132)	-
Total Other Financing Sources (Uses)	15,918	7,526	937,079
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	44,132	4,176	(3,321)
Fund Balances - Beginning of fiscal year	340,919	22,915	12,887
Equity transfers from other funds	-	-	-
Fund Balances - End of fiscal year	$ 385,052	$ 27,092	$ 9,565

VIETNAM VETERAN ERA BONUS FUND	SCHOOL BOND LOAN FUND	CHILDREN'S TRUST FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ -	$ -	$ -	$ 1,464,533	$ 1,373,812
-	-	156	38,750	33,000
-	-	-	862	-
859	-	1,250	32,297	33,435
859	-	1,407	1,536,444	1,440,248
-	-	695	6,018	5,055
-	2,996	-	2,447,389	2,194,118
-	2,996	695	2,453,408	2,199,173
859	(2,996)	712	(916,963)	(758,925)
-	7,518	-	7,518	-
-	-	15	978,354	1,143,993
-	-	(6)	(17,819)	(34,921)
-	7,518	8	968,053	1,109,072
859	4,522	721	51,089	350,146
462	746	1,218	379,151	25,404
-	-	-	-	3,600
$ 1,321	$ 5,269	$ 1,940	$ 430,240	$ 379,151

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - OTHER OVERSIGHT ENTITY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

Statutory/Budgetary Basis	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ -	$ -	$ -
From federal agencies	-	-	-
From local agencies	-	-	-
Miscellaneous	30,200	28,213	(1,986)
Operating transfers in	47,100	30,600	(16,500)
Total Revenues and Other Sources	77,300	58,813	(18,486)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	14,681	14,681	-
Education	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	14,681	14,681	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 62,618	44,132	$ (18,486)
Reconciling Items:			
Encumbrances at September 30		-	
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		44,132	
FUND BALANCES (GAAP BASIS)			
Beginning balances		340,919	
Equity transfer from other funds		-	
Ending balances		$ 385,052	

MICHIGAN VETERANS' BENEFIT (TRUST) FUND			SCHOOL AID FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ -	$ 1,457,800	$ 1,464,533	$ 6,733
-	-	-	38,700	38,594	(105)
-	-	-	700	862	162
1,700	1,973	273	-	1	1
9,400	10,659	1,259	950,800	937,079	(13,720)
11,100	12,632	1,532	2,448,000	2,441,070	(6,929)
9,387	8,456	931	-	-	-
-	-	-	2,444,392	2,444,392	-
9,387	8,456	931	2,444,392	2,444,392	-
$ 1,712	4,176	$ 2,464	$ 3,607	(3,321)	$ (6,929)
	-			-	
	-			-	
	-			-	
	4,176			(3,321)	
	22,915			12,887	
	-			-	
	$ 27,092			$ 9,565	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - OTHER OVERSIGHT ENTITY FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

Statutory/Budgetary Basis	CHILDREN'S TRUST FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ -	$ -	$ -
From federal agencies	-	156	156
From local agencies	-	-	-
Miscellaneous	1,200	1,250	50
Operating transfers in	-	15	15
Total Revenues and Other Sources	1,200	1,422	222
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	1,246	704	541
Education	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	1,246	704	541
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (46)	717	$ 763
Reconciling Items:			
Encumbrances at September 30		3	
Funds not annually budgeted		-	
Net Reconciling Items		3	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		721	
FUND BALANCES (GAAP BASIS)			
Beginning balances		1,218	
Equity transfer from other funds		-	
Ending balances		$ 1,940	

FUNDS NOT ANNUALLY BUDGETED		TOTALS		
VIETNAM VETERAN ERA BONUS FUND	SCHOOL BOND LOAN FUND			VARIANCE FAVORABLE
ACTUAL	ACTUAL	BUDGET	ACTUAL	(UNFAVORABLE)
$ -	$ -	$ 1,457,800	$ 1,464,533	$ 6,733
-	-	38,700	38,750	50
-	-	700	862	162
-	-	33,100	31,438	(1,661)
-	-	1,007,300	978,354	(28,945)
-	-	2,537,600	2,513,939	(23,660)
-	-	25,315	23,842	1,473
-	-	2,444,392	2,444,392	-
-	-	2,469,708	2,468,234	1,473
-	-	$ 67,891	45,704	$ (22,186)
-	-		3	
859	4,522		5,381	
859	4,522		5,384	
859	4,522		51,089	
462	746		379,151	
-	-		-	
$ 1,321	$ 5,269		$ 430,240	

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STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - COMPONENT UNITS

FISCAL YEAR ENDED - September 30, 1986

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition of buildings for use by the State or public institutions of higher education. The five members of the Authority are appointees of the Governor. Authority projects which are in process but not yet completed are reflected in either a capital projects fund (state buildings) or a special revenue fund (buildings for institutions of higher education). Completed projects are in a debt service fund, and bonds payable are reported in the general long-term obligations account group.

The special revenue fund, which accounts for construction costs for higher education projects, reports bond proceeds as an "other financing source," investment revenue earned during construction as "miscellaneous revenue," and construction expenditures as grant expenditures. Operating transfers out reflect transfers to the debt service fund for debt service during construction and the transfer of assets remaining after a project's completion to the debt service fund.

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

Public Act 295 of 1969, as amended, authorized the Michigan Higher Education Facilities Authority for the purpose of assisting institutions of higher education in financing their facilities. Reflected herein is the financing provided through services to the institutions and expenditures related to trustee fees. Because of the limited activity of this authority, administrative costs are absorbed by a portion of a General Fund appropriation within the Department of Education.
The Authority consists of an eleven member commission, nine of whom are appointed by the Governor with the advice and consent of the Senate and two of whom are ex officio (the Superintendent of Public Instruction and Director of the Department of Management and Budget).

MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY

The Michigan Family Farm Development Authority was created by P.A. 220, of 1982 to assist beginning farmers in financing the purchase of agricultural land and equipment. Members of the Authority are appointed by the Governor. Financing for the loans to beginning farmers is provided by issuance of limited obligation revenue bonds. The Authority operations are financed by loan application and issuance fees and subsidies from the General Fund as appropriated within the Department of Agriculture.

MICHIGAN JOB DEVELOPMENT AUTHORITY

Per P.A. 270 of 1984, the Michigan Job Development Authority was merged into the new Michigan Strategic Fund. These statements reflect an equity transfer of the Authority's beginning fund balance to the Michigan Strategic Fund, an enterprise fund, as of October 1, 1985.

MACKINAC BRIDGE AUTHORITY

The Authority was created by Act 21, P.A. 1950. Act 214, P.A. 1952, as amended, empowered the Authority to construct and operate a bridge extending from the lower peninsula of Michigan to the upper peninsula. Financing for the operation and maintenance of the bridge is provided by fares, earnings on investments, and transfers from the Michigan Transportation Fund and the State Trunkline Fund as appropriated by the Legislature. Debt service transactions are reflected in a debt service fund and bonds payable are recorded in the general long-term obligations account group. As explained in Note #22, the Authority redeemed its remaining bonds on July 1, 1986. State statutes require that the Authority continue charging bridge tolls and begin repaying the State funds for all the subsidies provided. The Authority has not recorded a liability and the State funds have not recorded receivables for the subsidies because the reimbursements are contingent upon future net revenues and because the repayment commitment is long-term and budgetary in nature. The Authority has a December 31 fiscal year-end, but it publishes audited financial statements semi-annually and the amounts reported in its June 30 statements are the amounts reflected in this report.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - COMPONENT UNITS
SEPTEMBER 30, 1986
(In Thousands)

	STATE BUILDING AUTHORITY	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ 25	$ 38
Amounts due from other funds	404	4	-
Amounts due from local units	-	19	-
Investments	11,528	-	-
Other current assets	40	1	-
Total Current Assets	11,972	50	38
Investments	-	-	-
Total Assets	$ 11,972	$ 50	$ 38
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ 1,873	$ -	$ -
Amounts due to other funds	2,902	-	-
Deferred revenue	-	-	-
Total Current Liabilities	4,775	-	-
Long-Term Liabilities:			
Advances from other funds	-	-	-
Total Liabilities	4,775	-	-
Fund Balances:			
Reserves for:			
Construction and debt service	7,197	-	-
Total reserved	7,197	-	-
Unreserved	-	50	38
Total Fund Balances	7,197	50	38
Total Liabilities and Fund Balances	$ 11,972	$ 50	$ 38

MACKINAC BRIDGE AUTHORITY	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985
$ 331	$ 395	$ 402
-	408	-
-	19	57
4,619	16,147	84,722
105	146	3,309
5,056	17,117	88,493
-	-	54,746
$ 5,056	$ 17,117	$ 143,239
$ 412	$ 2,285	$ 27,381
-	2,902	104
58	58	62
470	5,245	27,548
-	-	16,846
470	5,245	44,395
-	7,197	96,552
-	7,197	96,552
4,586	4,674	2,291
4,586	11,871	98,843
$ 5,056	$ 17,117	$ 143,239

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	STATE BUILDING AUTHORITY	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY
REVENUES			
From services	$ -	$ 56	$ 11
From licenses and permits	-	-	-
Miscellaneous	4,949	-	1
Total Revenues	4,949	56	13
EXPENDITURES			
Current:			
General government	157	-	-
Education	22,605	83	-
Conservation, recreation, and agriculture	-	-	87
Labor, commerce, and regulatory	-	-	-
Transportation	-	-	-
Total Expenditures	22,762	83	87
Excess of Revenues over (under) Expenditures	(17,813)	(27)	(74)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	87
Operating transfers out	(70,522)	-	-
Total Other Financing Sources (Uses)	(70,522)	-	87
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(88,335)	(27)	13
Fund Balances - Beginning of fiscal year.	95,532	77	25
Equity transfers to other funds	-	-	-
Fund Balances - end of fiscal year	$ 7,197	$ 50	$ 38

MICHIGAN JOB DEVELOPMENT AUTHORITY	MACKINAC BRIDGE AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ -	$ -	$ 67	$ 1,542
-	4,945	4,945	4,801
-	199	5,149	17,297
-	5,144	10,162	23,641
-	-	157	137
-	-	22,688	55,337
-	-	87	120
-	-	-	399
-	3,509	3,509	2,920
-	3,509	26,443	58,915
-	1,634	(16,280)	(35,273)
-	3,917	4,004	4,008
-	(2,478)	(73,000)	(41,525)
-	1,438	(68,995)	(37,517)
-	3,073	(85,275)	(72,791)
1,696	1,512	98,843	171,635
(1,696)	-	(1,696)	-
$ -0-	$ 4,586	$ 11,871	$ 98,843

STATE OF MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
BY CLASSIFICATION
SEPTEMBER 30, 1986
(In Thousands)

	COMPREHENSIVE TRANSPORTATION RELATED FUNDS	STATE TRUNKLINE RELATED FUNDS	OTHER OVERSIGHT ENTITY FUNDS
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ -	$ -
Equity in Common Cash	13	598	5,669
Amounts due from other funds	1	8	112
Investments	-	197	3,696
Other current assets	-	4	459
Total Current Assets	15	808	9,937
Investments	-	-	-
Total Assets	$ 15	$ 808	$ 9,937
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ -	$ -	$ -
Amounts due to other funds	-	-	-
Total Current Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Restricted revenues	-	-	1,131
Total reserved	-	-	1,131
Unreserved	15	808	8,806
Total Fund Balances	15	808	9,937
Total Liabilities and Fund Balances	$ 15	$ 808	$ 9,937

COMPONENT UNIT RELATED	TOTALS SEPTEMBER 30, 1986	SEPTEMBER 30, 1985
$ 4,707	$ 4,707	$ 72
-	6,282	4,177
1,282	1,404	7
63,670	67,563	31,822
1,945	2,409	1,290
71,604	82,367	37,371
82,927	82,927	53,551
$ 154,531	$ 165,294	$ 90,923
$ 4,482	$ 4,482	$ 1,611
19,535	19,535	3
24,017	24,017	1,615
24,017	24,017	1,615
-	1,131	314
-	1,131	314
130,514	140,146	88,992
130,514	141,277	89,307
$ 154,531	$ 165,294	$ 90,923

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	COMPREHENSIVE TRANSPORTATION RELATED FUNDS	STATE TRUNKLINE RELATED FUNDS	OTHER OVERSIGHT ENTITY FUNDS
REVENUES			
From local agencies	$ -	$ -	$ 8,607
From licenses and permits	-	-	5,244
Miscellaneous	746	788	345
Total Revenues	746	788	14,197
EXPENDITURES			
Current:			
General government	-	-	-
Transportation	183	175	-
Debt Service:			
Bond principal retirement	4,360	9,320	51,990
Bond interest and fiscal charges	16,122	13,800	13,566
Total Expenditures	20,665	23,296	65,556
Excess of Revenues over (under) Expenditures	(19,918)	(22,507)	(51,359)
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bond issue	98,606	103,797	-
Payment to refunded bond escrow agent	(98,394)	(113,276)	-
Operating transfers in	118,150	136,424	58,596
Operating transfers out	(98,429)	(103,629)	(4,496)
Total Other Financing Sources (Uses)	19,933	23,316	54,099
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	15	808	2,740
Fund Balances - Beginning of fiscal year	-0-	-0-	7,197
Fund Balances - End of fiscal year	$ 15	$ 808	$ 9,937

COMPONENT UNIT RELATED	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	SEPTEMBER 30, 1985
$ -	$ 8,607	$ 7,613
-	5,244	5,105
13,998	15,879	8,893
13,998	29,731	21,613
192	192	77
-	359	169
12,057	77,727	88,940
41,338	84,827	105,179
53,587	163,105	194,366
(39,589)	(133,374)	(172,753)
367,898	570,302	56,519
(412,477)	(624,148)	(56,349)
132,573	445,744	184,539
-	(206,555)	(3,288)
87,994	185,343	181,420
48,405	51,969	8,667
82,109	89,307	80,640
$ 130,514	$ 141,277	$ 89,307

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STATE OF MICHIGAN

DESCRIPTIONS OF DEBT SERVICE FUNDS

COMPREHENSIVE TRANSPORTATION RELATED FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

These funds were established pursuant to P.A. 51 of 1951, as amended, to account for debt service on Comprehensive Transportation Fund related bond issues. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund. Debt service requirements are provided for by annual appropriations in the Comprehensive Transportation Fund.

COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

Through fiscal year 1983-84, this fund serviced both Comprehensive Transportation Bonds, Series A, dated January 1, 1980 and Series B, dated May 1, 1981. During fiscal year 1984-85, the State Department of Transportation completed an advance refunding transaction related to the Series B bonds. Debt service on the 1985 refunding issue is now reported in this fund.

During fiscal year 1985-86, the State Department of Transportation completed an advance partial refunding transaction related to the Series A bonds. A new fund titled "1986 Comprehensive Transportation Refunding Bond and Interest Redemption Fund" was established to service the new bond issue.

1984 COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

During fiscal year 1985-86, the State Department of Transportation completed an advance refunding transaction related to the 1984 Comprehensive Transportation Bonds. A new fund titled "1986 Comprehensive Transportation Refunding Bond and Interest Redemption Fund" was established to service the new bond issue.

1986 COMPREHENSIVE TRANSPORTATION REFUNDING BOND AND INTEREST REDEMPTION FUND

This fund services bond issues of the 1986 Comprehensive Transportation Refunding Bond Proceeds Fund which provided for an advance refunding of the 1984 Comprehensive Transportation Bond issue and a partial refunding of Series A bonds.

1986 COMPREHENSIVE TRANSPORTATION REFUNDING BOND PROCEEDS FUND

This fund was established to account for the proceeds of $98.6 million of comprehensive transportation refunding bonds. The proceeds of sale of the bonds were used for the purpose of providing funds to acquire United State government obligations to be used to refund the State of Michigan Comprehensive Transportation Bonds 1979 Series A, dated January 1, 1980 and Series 1984 Bonds dated January 15, 1984, and to pay the costs of issuance of the bonds. Operating transfers reflect the distribution of the proceeds to the debt service funds related to the refunded bonds, where the "Payments to Refunded Bond Escrow Agent" transactions are reported.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
COMPREHENSIVE TRANSPORTATION RELATED FUNDS
SEPTEMBER 30, 1986
(In Thousands)

	COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	1984 COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	1986 COMPREHENSIVE TRANSPORTATION REFUNDING BOND AND INTEREST REDEMPTION FUND
ASSETS			
Current Assets:			
Equity in Common Cash	$ 3	$ -	$ 9
Amounts due from other funds	-	-	1
Total Current Assets	4	-	11
Total Assets	$ 4	$ -0-	$ 11
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Amounts due to other funds	$ -	$ -	$ -
Total Current Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Unreserved	4	-	11
Total Fund Balances	4	-0-	11
Total Liabilities and Fund Balances	$ 4	$ -0-	$ 11

1986 COMPREHENSIVE TRANSPORTATION REFUNDING BOND PROCEEDS FUND	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985
$ -	$ 13	$ -
-	1	3
-	15	3
$ -0-	$ 15	$ 3
$ -	$ -	$ 3
-	-	3
-	-	3
-	15	-
-0-	15	-0-
$ -0-	$ 15	$ 3

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
COMPREHENSIVE TRANSPORTATION RELATED FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	1984 COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	1986 COMPREHENSIVE TRANSPORTATION REFUNDING BOND AND INTEREST REDEMPTION FUND
REVENUES			
Miscellaneous	$ 3	$ -	$ 737
Total Revenues	3	-	737
EXPENDITURES			
Current:			
Transportation	-	-	-
Debt Service:			
Bond principal retirement	2,290	495	1,575
Bond interest and fiscal charges	10,754	2,877	2,489
Total Expenditures	13,044	3,372	4,064
Excess of Revenues over (under) Expenditures	(13,041)	(3,372)	(3,327)
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bond issue	-	-	-
Payment to refunded bond escrow agent	(28,084)	(70,309)	-
Operating transfers in	41,129	73,682	3,338
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	13,045	3,372	3,338
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	3	-	11
Fund Balances - Beginning of fiscal year	-0-	-0-	-0-
Fund Balances - End of Fiscal Year	$ 4	$ -0-	$ 11

1986 COMPREHENSIVE TRANSPORTATION REFUNDING BOND PROCEEDS FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	SEPTEMBER 30, 1985
$ 6	$ 746	$ 5
6	746	5
183	183	169
-	4,360	2,485
-	16,122	17,449
183	20,665	20,104
(177)	(19,918)	(20,099)
98,606	98,606	56,519
-	(98,394)	(56,349)
-	118,150	19,800
(98,429)	(98,429)	-
177	19,933	19,969
-	15	(129)
-0-	-0-	130
$ -0-	$ 15	$ -0-

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STATE OF MICHIGAN

DESCRIPTIONS OF DEBT SERVICE FUNDS

STATE TRUNKLINE RELATED FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

These funds were established pursuant to P.A. 51 of 1951, as amended, to account for debt service on State Trunkline Fund related bond issues. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Debt service requirements are provided for by annual appropriations in the State Trunkline Fund.

1983 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND

This fund services bond issues of the 1983 State Trunkline Fund Bond Proceeds Fund. During fiscal year 1985-86, the State Department of Transportation completed an advance partial refunding transaction related to the 1983 State Trunkline Bonds. The funds to finance this refunding were provided by a transfer from the 1986 State Trunkline Refunding Bond Proceeds Fund.

1984 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND

This fund services bond issues of the 1984 State Trunkline Fund Bond Proceeds Fund. During fiscal year 1985-86, the State Department of Transportation completed an advance partial refunding transaction related to the 1984 State Trunkline Bonds. The funds to finance this refunding were provided by a transfer from the 1986 State Trunkline Refunding Bond Proceeds Fund.

1986 STATE TRUNKLINE REFUNDING BOND AND INTEREST REDEMPTION FUND

This fund services the 1986 State Trunkline refunding bond issue. This issue was for the purpose of partially refunding Series 1983 and Series 1984 State Trunkline Fund Bonds.

1986 STATE TRUNKLINE REFUNDING BOND PROCEEDS FUND

This fund accounts for the proceeds of $103.7 million of State Trunkline refunding bonds. The proceeds of sale of the bonds were used for the purpose of providing funds to partially refund the 1983 and 1984 State Trunkline bonds, and to pay the costs of issuance of the bonds.

MICHIGAN TRUNKLINE BOND AND INTEREST REDEMPTION FUND -- SERIES II THRU IX

The Fund accounts for a series of bonds issued during the period from July, 1959 to July, 1962.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
STATE TRUNKLINE RELATED FUNDS
SEPTEMBER 30, 1986
(In Thousands)

	1983 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND	1984 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND	1986 STATE TRUNKLINE REFUNDING BOND AND INTEREST REDEMPTION FUND
ASSETS			
Current Assets:			
Equity in Common Cash	$ 3	$ -	$ 594
Amounts due from other funds	-	-	8
Investments	-	-	197
Other current assets	-	-	4
Total Current Assets	4	-	804
Total Assets	$ 4	$ -0-	$ 804
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ -	$ -	$ -
Total Current Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Unreserved	4	-	804
Total Fund Balances	4	-0-	804
Total Liabilities and Fund Balances	$ 4	$ -0-	$ 804

1986 STATE TRUNKLINE REFUNDING BOND PROCEEDS FUND	MICHIGAN TRUNKLINE BOND AND INTEREST REDEMPTION FUND SERIES II THRU IX	TOTALS	
		SEPTEMBER 30, 1986	SEPTEMBER 30, 1985
$ -	$ -	$ 598	$ 1,569
-	-	8	-
-	-	197	-
-	-	4	-
-	-	808	1,569
$ -0-	$ -0-	$ 808	$ 1,569
$ -	$ -	$ -	$ 1,569
-	-	-	1,569
-	-	-	1,569
-	-	808	-
-0-	-0-	808	-0-
$ -0-	$ -0-	$ 808	$ 1,569

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
STATE TRUNKLINE RELATED FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	1983 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND	1984 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND	1986 STATE TRUNKLINE REFUNDING BOND AND INTEREST REDEMPTION FUND
REVENUES			
Miscellaneous	$ 4	$ -	$ 778
Total Revenues	4	-	778
EXPENDITURES			
Current:			
Transportation	-	-	-
Debt Service:			
Bond principal retirement	-	-	-
Bond interest and fiscal charges	8,470	3,506	1,396
Total Expenditures	8,470	3,506	1,396
Excess of Revenues over (under) Expenditures	(8,466)	(3,506)	(617)
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bond issue	-	-	-
Payment to refunded bond escrow agent	(85,472)	(27,804)	-
Operating transfers in	93,943	31,311	1,422
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	8,470	3,506	1,422
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	4	-	804
Fund Balances - Beginning of fiscal year	-0-	-0-	-0-
Fund Balances - End of Fiscal Year	$ 4	$ -0-	$ 804

1986 STATE TRUNKLINE REFUNDING BOND PROCEEDS FUND	MICHIGAN TRUNKLINE BOND AND INTEREST REDEMPTION FUND SERIES II THRU IX	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ 5	$ -	$ 788	$ -
5	-	788	-
175	-	175	-
-	9,320	9,320	22,020
-	427	13,800	18,156
175	9,747	23,296	40,176
(169)	(9,747)	(22,507)	(40,175)
103,797	-	103,797	-
-	-	(113,276)	-
-	9,747	136,424	39,842
(103,628)	-	(103,629)	(1)
169	9,747	23,316	39,841
-	-	808	(334)
-0-	-0-	-0-	334
$ -0-	$ -0-	$ 808	$ -0-

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STATE OF MICHIGAN

DESCRIPTIONS OF DEBT SERVICE FUNDS

OTHER OVERSIGHT ENTITY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND

P.A. 329 of 1966 established this fund to account for retiring bond issues of the Water Pollution Control Bond Fund. The Legislature appropriates funds from the General Fund to meet the bond principal and interest requirements and paying agent fees.

PUBLIC RECREATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 108 of 1969 and services bond issues of the Public Recreation Bond Fund. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND

Created by P.A. 370 of 1974, the purpose of this fund is to account for the debt service of general obligation bonds which were issued to finance bonuses paid to veterans or their beneficiaries. Financing is provided by an annual appropriation in the General Fund.

SCHOOL LOAN BOND REDEMPTION FUND

P.A. 74 of 1955 established this fund. Monies in this fund are utilized for payment of interest and redemption of bonds issued to provide financing for loans to school districts. Funding is furnished by an annual appropriation from the General Fund and/or repayments of loans by school districts.

STATE PARK REVENUE BOND FUND

This fund was created pursuant to P.A. 149 of 1960 which initiated a State park improvement program by authorizing the Department of Natural Resources to issue up to $10 million of revenue dedicated bonds to finance land acquisition, construction, and improvement of State parks. P.A. 286 of 1967 increased the authorized amount of such bonds to $20 million.

P.A. 149 of 1960 as amended, also provides that park permit fees for motor vehicle entry into certain State parks be deposited with the State Treasurer who is designated as fiscal agent. Such proceeds are to be allocated in the following order of priority: debt service requirements, fiscal agent expenses, bond reserve, operations and park improvements as appropriated by the Legislature.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
OTHER OVERSIGHT ENTITY FUNDS
SEPTEMBER 30, 1986
(In Thousands)

	WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND	PUBLIC RECREATION BOND AND INTEREST REDEMPTION FUND	VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND
ASSETS			
Current Assets:			
Equity in Common Cash	$ -	$ -	$ -
Amounts due from other funds	-	-	-
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	-	-	-
Total Assets	$ -0-	$ -0-	$ -0-
FUND BALANCES			
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Restricted revenues	$ -	$ -	$ -
Total reserved	-	-	-
Unreserved	-	-	-
Total Fund Balances	-0-	-0-	-0-
Total Liabilities and Fund Balances	$ -0-	$ -0-	$ -0-

SCHOOL LOAN BOND REDEMPTION FUND	STATE PARK REVENUE BOND FUND	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985
$ 5,669	$ -	$ 5,669	$ 2,607
-	112	112	4
-	3,696	3,696	4,559
-	459	459	25
5,669	4,268	9,937	7,197
$ 5,669	$ 4,268	$ 9,937	$ 7,197
$ -	$ 1,131	$ 1,131	$ 314
-	1,131	1,131	314
5,669	3,137	8,806	6,882
5,669	4,268	9,937	7,197
$ 5,669	$ 4,268	$ 9,937	$ 7,197

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
OTHER OVERSIGHT ENTITY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND	PUBLIC RECREATION BOND AND INTEREST REDEMPTION FUND	VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND
REVENUES			
From local agencies	$ -	$ -	$ -
From licenses and permits	-	-	-
Miscellaneous	-	-	-
Total Revenues	-	-	-
EXPENDITURES			
Current:			
General government	-	-	-
Debt Service:			
Bond principal retirement	11,000	3,000	30,000
Bond interest and fiscal charges	7,605	204	3,267
Total Expenditures	18,605	3,204	33,267
Excess of Revenues over (under) Expenditures	(18,605)	(3,204)	(33,267)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	18,605	3,204	33,267
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	18,605	3,204	33,267
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	-
Fund Balances - Beginning of fiscal year	-0-	-0-	-0-
Fund Balances - End of Fiscal Year	$ -0-	$ -0-	$ -0-

SCHOOL LOAN BOND REDEMPTION FUND	STATE PARK REVENUE BOND FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ 8,607	$ -	$ 8,607	$ 7,613
-	5,244	5,244	5,105
-	345	345	1,073
8,607	5,589	14,197	13,792
-	-	-	36
7,200	790	51,990	52,360
1,863	624	13,566	14,514
9,063	1,414	65,556	66,911
(455)	4,174	(51,359)	(53,119)
3,517	-	58,596	56,606
-	(4,496)	(4,496)	(3,287)
3,517	(4,496)	54,099	53,318
3,062	(321)	2,740	199
2,607	4,589	7,197	6,997
$ 5,669	$ 4,268	$ 9,937	$ 7,197

STATE OF MICHIGAN

DESCRIPTIONS OF DEBT SERVICE FUNDS

COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition of buildings for use by the State or public institutions of higher education. Construction projects which are in process are reported in either a capital projects fund or a special revenue fund, balances related to completed projects are reported in this debt service fund, and bonds payable are included in the general long-term obligations account group.

Each project of the Authority is financed by specific callable bonds, the proceeds of which can only be used for construction and debt service on that project. For completed projects, the resources to finance bond interest and redemption are provided by operating transfers from the General Fund and from investments and earnings of this fund. During construction, debt service requirements are financed by transfers from the capital project or special revenue fund in which the project is accounted for. When a project is completed, the remaining net assets are transferred to this fund where they are invested and used for debt service.

MACKINAC BRIDGE AUTHORITY

The Mackinac Bridge Authority was created by P.A. 21 of 1950. Public Act 214 of 1952, as amended, empowered the Authority to construct and operate a bridge extending from the lower peninsula of Michigan to the upper peninsula. Financing for the construction of the bridge was provided by the issuance of $79.8 million of Series A bonds and $20.0 million of Series B bonds, both issued in 1954. Resources to finance the requirements for bond interest and redemption are earnings on investments and operating transfers from the Authority's special revenue fund. The ongoing operations of the Authority are reported in a special revenue fund and bonds payable are reflected in the general long-term obligations account group. The Authority redeemed its remaining bonds on July 1, 1986. The Authority has a December 31 year-end, but it publishes audited financial statements semi-annually and the amounts reported in its June 30 statements are the amounts reflected in this report.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
COMPONENT UNITS
SEPTEMBER 30, 1986
(In Thousands)

	STATE BUILDING AUTHORITY	MACKINAC BRIDGE AUTHORITY	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 4,685	$ 22	$ 4,707	$ 72
Amounts due from other funds	1,282	-	1,282	-
Investments	62,243	1,427	63,670	27,262
Other current assets	1,945	-	1,945	1,264
Total Current Assets	70,155	1,449	71,604	28,600
Investments	82,927	-	82,927	53,551
Total Assets	$ 153,082	$ 1,449	$ 154,531	$ 82,152
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts payable and other liabilities	$ 4,482	$ -	$ 4,482	$ 42
Amounts due to other funds	19,535	-	19,535	-
Total Current Liabilities	24,017	-	24,017	42
Total Liabilities	24,017	-	24,017	42
Fund Balances:				
Unreserved	129,065	1,449	130,514	82,109
Total Fund Balances	129,065	1,449	130,514	82,109
Total Liabilities and Fund Balances	$ 153,082	$ 1,449	$ 154,531	$ 82,152

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	STATE BUILDING AUTHORITY	MACKINAC BRIDGE AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
REVENUES				
Miscellaneous	$ 13,804	$ 194	$ 13,998	$ 7,814
Total Revenues	13,804	194	13,998	7,814
EXPENDITURES				
Current:				
General government	192	-	192	40
Debt Service:				
Bond principal retirement	7,997	4,060	12,057	12,075
Bond interest and fiscal charges	41,018	320	41,338	55,057
Total Expenditures	49,207	4,380	53,587	67,173
Excess of Revenues over (under) Expenditures	(35,403)	(4,186)	(39,589)	(59,358)
OTHER FINANCING SOURCES (USES)				
Proceeds from refunding bond issue	367,898	-	367,898	-
Payment to refunded bond escrow agent	(412,477)	-	(412,477)	-
Operating transfers in	130,095	2,478	132,573	68,290
Total Other Financing Sources (Uses)	85,516	2,478	87,994	68,290
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	50,113	(1,707)	48,405	8,931
Fund Balances - Beginning of fiscal year.	78,952	3,157	82,109	73,178
Fund Balances - End of Fiscal Year	$ 129,065	$ 1,449	$ 130,514	$ 82,109

STATE OF MICHIGAN

DESCRIPTIONS OF CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

PUBLIC RECREATION BOND FUND

This fund was established by P.A. 108 of 1969 to account for the proceeds of $100.0 million general obligation public recreation bonds approved by the people in November, 1968. This approval was pursuant to Section 15, Article IX, of the 1963 Constitution and P.A. 257 of 1968.

P.A. 108 of 1969 also allocated $30.0 million for grants to local units for local community recreational projects and the balance of $70.0 million to the Department of Natural Resources to fund the State's recreation program.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition of buildings for use by the State or public institutions of higher education. The five members of the Authority are appointees of the Governor. Authority projects which are in process but not yet completed are reflected in either a capital projects fund (State buildings) or a special revenue fund (buildings for institutions of higher education). Completed projects are in a debt service fund, and bonds payable are reported in the general long-term obligations account group.

This capital projects fund, which accounts for the construction of State projects, reports bond proceeds as an "Other financing source," investment revenue during construction as "miscellaneous revenue," and construction expenditures as "Capital outlay." Operating transfers out reflect transfers to the debt service fund for debt service during construction and the transfer of net assets remaining after the completion of a project to the debt service fund. In the State's general fixed assets account group, accumulated expenditures for incomplete State projects are reflected as "Construction in progress" and completed State projects are recorded as "Buildings."

STATE OF MICHIGAN
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 1986
(In Thousands)

	PUBLIC RECREATION BOND FUND	STATE BUILDING AUTHORITY	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985
ASSETS				
Current Assets:				
Cash and cash equivalents	$ -	$ 6	$ 6	$ 16
Equity in Common Cash	358	-	358	629
Amounts due from federal agencies	24	-	24	24
Investments	-	13,733	13,733	1,458
Other current assets	-	680	680	46
Total Current Assets	382	14,419	14,801	2,174
Investments	-	24,364	24,364	1,193
Total Assets	$ 382	$ 38,783	$ 39,165	$ 3,368
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ -	$ -	$ -	$ 11
Accounts payable and other liabilities	89	1,300	1,389	1,083
Total Current Liabilities	89	1,300	1,389	1,095
Total Liabilities	89	1,300	1,389	1,095
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	6	-	6	85
Multi-year projects	266	-	266	505
Total reserved	272	-	272	590
Unreserved	20	37,483	37,503	1,682
Total Fund Balances	293	37,483	37,776	2,273
Total Liabilities and Fund Balances	$ 382	$ 38,783	$ 39,165	$ 3,368

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	PUBLIC RECREATION BOND FUND	STATE BUILDING AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
REVENUES				
From federal agencies	$ 104	$ -	$ 104	$ 51
Miscellaneous	-	686	686	627
Total Revenues	104	686	790	678
EXPENDITURES				
Current:				
Transportation	-	-	-	3,846
Capital outlay	422	2,877	3,299	3,318
Total Expenditures	422	2,877	3,299	7,164
Excess of Revenues over (under) Expenditures	(317)	(2,191)	(2,508)	(6,486)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issues	-	38,733	38,733	4,300
Operating transfers in	-	-	-	26
Operating transfers out	-	(721)	(721)	(144)
Total Other Financing Sources (Uses)	-	38,012	38,012	4,182
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(317)	35,821	35,503	(2,303)
Fund Balances - Beginning of fiscal year	610	1,662	2,273	20,275
Equity transfer to other funds	-	-	-	(15,698)
Fund Balances - End of fiscal year	$ 293	$ 37,483	$ 37,776	$ 2,273

STATE OF MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
BY CLASSIFICATION
SEPTEMBER 30, 1986
(In Thousands)

	OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 6,514	$ 59,784	$ 66,299	$ 83,284
Equity in Common Cash	52,669	2,640	55,310	40,097
Amounts due from other funds	683	1,008	1,692	749
Amounts due from federal agencies	-	2,891	2,891	6,084
Inventories	62,042	190	62,232	74,440
Investments	18,388	466,178	484,566	478,759
Other current assets	19,561	107,385	126,947	90,599
Total Current Assets	159,860	640,080	799,940	774,014
Mortgages and loans receivable	-	2,876,687	2,876,687	2,624,212
Investments	163,658	1,211,060	1,374,718	764,950
Property, plant, and equipment	28,153	3,201	31,354	24,240
Other noncurrent assets	-	26,329	26,329	5,492
Total Assets	$ 351,671	$ 4,757,358	$ 5,109,030	$ 4,192,910
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Liability to Common Cash	$ 1,839	$ -	$ 1,839	$ 688
Warrants outstanding	5,429	1,112	6,541	855
Accounts payable and other liabilities	73,014	24,431	97,445	73,020
Amounts due to other funds	447	347	794	1,143
Bonds and notes payable	-	127,608	127,608	206,631
Interest payable	-	106,627	106,627	96,581
Deferred revenue	4,684	25,512	30,197	19,500
Escrow funds	-	117,442	117,442	100,867
Total Current Liabilities	85,415	403,081	488,496	499,288
Long-Term Liabilities:				
Prize awards payable	200,216	-	200,216	-
Deferred revenue	368	-	368	-
Bonds and notes payable	-	4,133,187	4,133,187	3,439,505
Unamortized premium (discount)	-	(67,813)	(67,813)	(51,452)
Other long-term liabilities	5,783	5,377	11,161	8,816
Total Liabilities	291,783	4,473,833	4,765,617	3,896,158
Fund Equity:				
Retained earnings - undesignated	59,888	94,613	154,501	146,043
Retained earnings - designated	-	188,912	188,912	150,708
Total Fund Equity	59,888	283,525	343,413	296,751
Total Liabilities and Fund Equity	$ 351,671	$ 4,757,358	$ 5,109,030	$ 4,192,910

*1985 column does not include amounts related to the State Lottery Fund for which prior year numbers on the accrual basis are not available.

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

			TOTALS	
			FISCAL YEARS ENDED	
	OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	SEPTEMBER 30, 1986	SEPTEMBER 30, 1985*
OPERATING REVENUES:				
Operating revenues	$ 1,436,155	$ 16,793	$ 1,452,949	$ 443,757
Interest income	2,927	275,427	278,355	231,082
Investment revenue (net)	12,725	126,165	138,890	120,067
Miscellaneous	-	51,705	51,705	50,035
Total Operating Revenues	1,451,808	470,091	1,921,900	844,942
OPERATING EXPENSES:				
Salaries, wages, and other administrative	148,950	23,337	172,287	58,106
Interest expense	310	361,456	361,766	311,940
Depreciation	3,629	154	3,783	1,164
Purchases for resale	339,374	18	339,393	338,466
Lottery prize awards	473,450	-	473,450	-
Other operating expenses	12,438	60,873	73,312	51,285
Total other operating expenses	12,438	60,873	73,312	51,285
Total Operating Expenses	978,154	445,840	1,423,994	760,964
Operating Income (Loss)	473,654	24,251	497,906	83,978
NONOPERATING REVENUES (EXPENSES):				
Interest revenue (expense)	(112)	15	(96)	(25)
Mineral rights revenue	-	-	-	19,000
Specific tax on spirits	7,490	-	7,490	7,498
Gain (loss) on disposal of assets	(15)	-	(15)	(3)
Federal grant revenues	-	14,724	14,724	-
Grant expense	-	(19,974)	(19,974)	(5,000)
Gain (loss) on debt refunding	-	(474)	(474)	-
Loss on sale of loans receivable	-	(3,615)	(3,615)	-
Other nonoperating revenues (expenses)	-	42	42	(32)
Total Nonoperating Revenues (Expenses)	7,362	(9,281)	(1,918)	21,436
Income (Loss) Before Operating Transfers	481,017	14,969	495,987	105,415
OPERATING TRANSFERS:				
Operating transfers in	2,437	25,792	28,229	2,563
Operating transfers out	(484,399)	(821)	(485,221)	(67,716)
Total Operating Transfers In (Out)	(481,962)	24,970	(456,991)	(65,153)
Net Income (Loss)	(944)	39,940	38,995	40,261
Retained Earnings - Beginning of fiscal year - as previously reported	54,863	241,888	296,751	238,383
Effect of accounting change	5,969	-	5,969	18,106
Retained Earnings - Beginning of fiscal year - restated	60,832	241,888	302,721	256,489
Equity transfers from other funds	-	54,723	54,723	-
Equity transfers to other funds	-	(53,027)	(53,027)	-
Retained Earnings - End of Fiscal Year	$ 59,888	$ 283,525	$ 343,413	$ 296,751

*1985 column does not include amounts related to the State Lottery Fund for which prior year numbers on the accrual basis are not available.

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985*
SOURCES OF FUNDS:				
From operations:				
Net income (loss)	$ (944)	$ 39,940	$ 38,995	$ 40,261
Items not requiring (providing) working capital:				
Depreciation	3,629	154	3,783	1,164
Compensated absences - long-term portion	386	81	467	1,244
Increases in long-term prize awards	102,776	-	102,776	-
Provisions for losses on loans	-	6,945	6,945	2,045
Amortization of deferred items (net)	(286)	17,819	17,533	7,791
Loss (gain) on disposal of fixed assets	15	-	15	3
Contributed fixed assets included in operating transfers	(1,199)	-	(1,199)	(1,245)
Working Capital Provided (Used) From Operations	104,376	64,940	169,316	51,264
From other sources:				
Proceeds from bonds and notes sold	-	813,729	813,729	632,337
Principal repayments on loans	-	147,416	147,416	106,761
Increase in long-term deferred revenues	368	-	368	-
Sale of fixed assets	-	-	-	10
Decrease in noncurrent investments (net)	24,599	-	24,599	1,601
Working capital provided by equity transfer in	-	67,815	67,815	-
Increase in long-term lease obligations	999	-	999	-
Increase in other long-term liabilities	-	50	50	-
Total Sources (Uses) of Funds	$ 130,342	$ 1,093,953	$ 1,224,296	$ 791,976
APPLICATION OF FUNDS:				
Increase in noncurrent investments (net)	$ 101,699	$ 446,110	$ 547,809	$ 149,693
New loans issued	-	406,109	406,109	329,690
Decrease in long-term bonds and notes payable	-	153,391	153,391	293,513
Decrease in long-term prize awards payable	23,460	-	23,460	-
Increase in other noncurrent assets	-	22,401	22,401	2,081
Additions to fixed assets	2,964	106	3,070	962
Working capital used for equity transfers out	-	66,119	66,119	-
Net increase (decrease) in working capital	2,218	(285)	1,933	16,033
Total Application of Funds	$ 130,342	$ 1,093,953	$ 1,224,296	$ 791,976
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and cash equivalents	$ (909)	$ (18,074)	$ (18,984)	$ 5,456
Equity in Common Cash	(1,685)	(30,404)	(32,089)	7,534
Amounts due from other funds	(276)	260	(16)	(173)
Amounts due from federal agencies	-	(3,193)	(3,193)	(302)
Inventories	(12,302)	4	(12,297)	18,713
Investments	15,599	(12,580)	3,018	114,082
Other current assets	2,954	17,868	20,823	6,002
Warrants outstanding	(4,747)	(574)	(5,322)	1,338
Accounts payable and other liabilities	1,250	772	2,022	(25,087)
Amounts due to other funds	75	377	452	74
Bonds and notes payable - current	-	79,023	79,023	(85,554)
Interest payable	-	(10,045)	(10,045)	(12,530)
Deferred revenue	2,260	(7,143)	(4,882)	311
Escrow funds	-	(16,575)	(16,575)	(13,832)
Net Increase (Decrease) in Working Capital	$ 2,218	$ (285)	$ 1,933	$ 16,033

*1985 column does not include amounts related to the State Lottery Fund for which prior year numbers on the accrual basis are not available.

STATE OF MICHIGAN

DESCRIPTIONS OF ENTERPRISE FUNDS

OVERSIGHT ENTITY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

LIQUOR PURCHASE REVOLVING FUND

The Liquor Purchase Revolving Fund was authorized by P.A. 259 of 1941. The Department of Commerce, Liquor Control Commission is primarily responsible for the fund. Under State monopoly, liquor is sold at retail or wholesale in State liquor stores and through specially designated distributors. The fund accounts for the sales of and the replenishing and transportation of the liquor stock into the various State liquor stores. Administrative, warehousing, and merchandising costs are appropriated in the fund. At the end of each fiscal year, the "net income" of the fund is transferred to the General Fund in accordance with Public Act 431 of 1984.

STATE LOTTERY FUND

P.A. 239 of 1972 established the State Lottery Fund and created a Bureau of State Lottery under authority of Section 4 of Article V of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Management and Budget. P.A. 239 of 1972 requires that, as nearly as practicable, 45% of gross ticket sales be allocated for prize awards. Net income of the fund related to lottery operations is transferred to the School Aid Fund and net income related to bingo and charity games regulation is transferred to the General Fund. Prior to the 1985-86 fiscal year, the fund had been reported in the special revenue fund type.

Revenues and related expenses are recognized in the period during which the related drawings are held. Deferred prize awards are recorded as expenses and liabilities at their discounted present value. The State Treasurer invests funds equivalent to the discounted value of the installment payments and the Lottery Fund is credited with the interest earnings.

MICHIGAN STATE FAIR REVOLVING FUND

This fund was created by P.A. 224 of 1962, which placed the fund under management of the Michigan State Fair Authority. P.A. 361 of 1978 abolished the Authority and transferred responsibility for the fair and the fund's management to the Department of Natural Resources.

The Department of Natural Resources has jurisdiction over the Michigan State Fair grounds in Detroit. Fund revenues are derived from the operation of the annual State Fair and other exhibits or events, leases, rentals or other charges for use of the buildings and grounds scheduled during the year.

DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND

P.A. 107 of 1979 provided for creation of a fund to account for the revenues and costs incurred in the publication of the department's magazine, publications, and related materials.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
OVERSIGHT ENTITY FUNDS
SEPTEMBER 30, 1986
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	MICHIGAN STATE FAIR REVOLVING FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,032	$ 4,000	$ 482
Equity in Common Cash	12,791	39,878	-
Amounts due from other funds	-	675	8
Inventories	61,405	206	-
Investments	-	18,388	-
Other current assets	394	18,807	218
Total Current Assets	76,624	81,955	708
Investments	-	163,658	-
Property, plant, and equipment:			
Land	-	-	6,965
Buildings and equipment	13,288	11,943	16,708
Construction in progress	-	-	54
Allowance for depreciation	(6,196)	(6,861)	(7,761)
Total property, plant, and equipment	7,092	5,082	15,967
Total Assets	$ 83,717	$ 250,696	$ 16,676
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Liability to Common Cash	$ -	$ -	$ 1,732
Warrants outstanding	4,140	1,141	140
Accounts payable and other liabilities	33,546	38,381	911
Amounts due to other funds	277	102	61
Deferred revenue	26	4,012	36
Total Current Liabilities	37,990	43,637	2,881
Long-Term Liabilities:			
Prize awards payable	-	200,216	-
Deferred revenue	-	-	-
Other long-term liabilities	4,551	1,026	136
Total Liabilities	42,541	244,880	3,018
Fund Equity:			
Retained earnings - undesignated	41,175	5,815	13,657
Total Fund Equity	41,175	5,815	13,657
Total Liabilities and Fund Equity	$ 83,717	$ 250,696	$ 16,676

*1985 column does not include amounts related to the State Lottery Fund for which prior year numbers on the accrual basis are not available.

DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	TOTALS	
	SEPTEMBER 30, 1986	SEPTEMBER 30, 1985*
$ -	$ 6,514	$ 5,424
-	52,669	7,053
-	683	-
429	62,042	74,253
-	18,388	-
140	19,561	1,082
570	159,860	87,815
-	163,658	-
-	6,965	6,901
125	42,065	25,735
-	54	-
(114)	(20,932)	(11,646)
11	28,153	20,990
$ 581	$ 351,671	$ 108,806
$ 107	$ 1,839	$ 688
6	5,429	317
174	73,014	47,816
6	447	418
609	4,684	1,131
905	85,415	50,372
-	200,216	-
368	368	-
69	5,783	3,570
1,342	291,783	53,942
(760)	59,888	54,863
(760)	59,888	54,863
$ 581	$ 351,671	$ 108,806

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
OVERSIGHT ENTITY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	MICHIGAN STATE FAIR REVOLVING FUND
OPERATING REVENUES:			
Operating revenues	$ 429,866	$ 1,001,877	$ 2,840
Interest income	-	2,927	-
Investment revenue (net)	-	12,725	-
Total Operating Revenues	429,866	1,017,530	2,840
OPERATING EXPENSES:			
Salaries, wages, and other administrative	30,545	113,771	4,113
Interest expense	309	-	-
Depreciation	858	2,236	499
Purchases for resale	338,152	-	-
Lottery prize awards	-	473,450	-
Other operating expenses:			
Amortization of prize award obligation discount	-	12,438	-
Total other operating expenses	-	12,438	-
Total Operating Expenses	369,865	601,897	4,613
Operating Income (Loss)	60,000	415,632	(1,772)
NONOPERATING REVENUES (EXPENSES):			
Interest revenue (expense)	-	-	(116)
Specific tax on spirits	7,490	-	-
Gain (loss) on disposal of fixed assets	(15)	-	-
Total Nonoperating Revenues (Expenses)	7,475	-	(116)
Income (Loss) Before Operating Transfers	67,475	415,632	(1,888)
OPERATING TRANSFERS:			
Operating transfers in	905	136	1,368
Operating transfers out	(68,381)	(415,922)	(74)
Total Operating Transfers In (Out)	(67,475)	(415,786)	1,294
Net Income (Loss)	-0-	(153)	(594)
Retained Earnings - Beginning of fiscal year - as previously reported	41,175	-0-	14,252
Effect of accounting change	-	5,969	-
Retained Earnings - Beginning of fiscal year - restated	41,175	5,969	14,252
Retained Earnings - End of Fiscal Year	$ 41,175	$ 5,815	$ 13,657

*1985 column does not include amounts related to the State Lottery Fund for which prior year numbers on the accrual basis are not available.

DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985*
$ 1,571	$ 1,436,155	$ 434,391
-	2,927	-
-	12,725	-
1,571	1,451,808	434,391
520	148,950	37,347
-	310	-
34	3,629	1,011
1,222	339,374	338,457
-	473,450	-
-	12,438	-
-	12,438	-
1,777	978,154	376,817
(206)	473,654	57,574
3	(112)	(75)
-	7,490	7,498
-	(15)	(3)
3	7,362	7,419
(202)	481,017	64,994
26	2,437	1,505
(20)	(484,399)	(66,959)
5	(481,962)	(65,453)
(196)	(944)	(459)
(564)	54,863	55,322
-	5,969	-
(564)	60,832	55,322
$ (760)	$ 59,888	$ 54,863

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
OVERSIGHT ENTITY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	MICHIGAN STATE FAIR REVOLVING FUND
SOURCES OF FUNDS:			
From operations:			
Net income (loss)	$ -	$ (153)	$ (594)
Items not requiring (providing) working capital:			
Depreciation	858	2,236	499
Compensated absences - long-term portion	130	199	2
Increase in long-term prize awards	-	102,776	-
Amortization of deferred items (net)	-	(286)	-
Loss (gain) on disposal of fixed assets	15	-	-
Contributed fixed assets included in operating transfers	-	-	(1,199)
Working Capital Provided (Used) From Operations	1,003	104,772	(1,268)
From other sources:			
Increase in long-term deferred revenues	-	-	-
Sale of fixed assets	-	-	-
Decrease in noncurrent investments (net)	-	24,599	-
Increase in long-term lease obligations	999	-	-
Total Sources (Uses) of Funds	$ 2,003	$ 129,371	$ (1,268)
APPLICATION OF FUNDS:			
Increase in noncurrent investments (net)	$ -	$ 101,699	$ -
Decrease in long-term prize awards payable	-	23,460	-
Additions to fixed assets	2,271	676	16
Net increase (decrease) in working capital	(268)	3,534	(1,285)
Total Application of Funds	$ 2,003	$ 129,371	$ (1,268)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Cash and cash equivalents	$ (2,824)	$ 2,000	$ (85)
Equity in Common Cash	5,872	(6,271)	(1,044)
Amounts due from other funds	-	(283)	8
Inventories	(12,336)	116	-
Investments	-	15,599	-
Other current assets	(328)	3,282	(50)
Warrants outstanding	(3,916)	(777)	(49)
Accounts payable and other liabilities	13,240	(11,933)	(59)
Amounts due to other funds	43	1	31
Deferred revenue	(17)	1,801	(36)
Net Increase (Decrease) in Working Capital	$ (268)	$ 3,534	$ (1,285)

*1985 column does not include amounts related to the State Lottery Fund for which prior year numbers on the accrual basis are not available.

DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	SEPTEMBER 30, 1985*
$ (196)	$ (944)	$ (459)
34	3,629	1,011
30	386	343
-	102,776	-
-	(286)	-
-	15	3
-	(1,199)	(1,245)
(130)	104,376	(347)
368	368	-
-	-	10
-	24,599	-
-	999	-
$ 237	$ 130,342	$ (336)
$ -	$ 101,699	$ -
-	23,460	-
-	2,964	894
237	2,218	(1,230)
$ 237	$ 130,342	$ (336)
$ -	$ (909)	$ 2,734
(242)	(1,685)	4,193
-	(276)	(3)
(81)	(12,302)	18,651
-	15,599	-
51	2,954	36
(4)	(4,747)	114
2	1,250	(26,360)
-	75	(364)
513	2,260	(231)
$ 237	$ 2,218	$ (1,230)

STATE OF MICHIGAN

DESCRIPTIONS OF ENTERPRISE FUNDS

COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

The Authority was organized under P.A. 38 of 1969, as amended, to lend money to nonprofit, nonpublic hospitals for capital improvements or debt refinancing. The Act also empowers the Authority to sell bonds and to enter into loan and other agreements to obtain the necessary funds for such loans. The Authority is comprised of seven members including a chairperson and four public members appointed by the Governor with the advice and consent of the Senate, and two members ex officio (the State Treasurer and the Director of the Department of Public Health). The Authority has a June 30 fiscal year-end.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Public Act 222 of 1975, as amended, authorized the establishment of the Michigan Higher Education Student Loan Authority within the Department of Education, for the purpose of making loans to qualified students attending participating institutions of higher education. Under a guarantee agreement entered into with the Michigan Higher Education Assistance Authority, all student loans are guaranteed as to 100% of principal and interest. The Authority may issue revenue-dedicated debt in the principal amounts necessary to provide funds for achieving its purpose. The Authority is governed by the sixteen members of the Michigan Higher Education Assistance Authority who are appointed by the Governor with the consent of the Senate. The Superintendent of Public Instruction, an ex officio member, serves as chairman.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

The Michigan Higher Education Assistance Authority (MHEAA) was created by the Legislature through P.A. 77 of 1960 and is governed by a sixteen member board, each member being appointed by the Governor with the advice and consent of the Senate. The Authority is empowered to guarantee 100% of principal and interest on loans to persons attending eligible post-secondary educational institutions in Michigan. The federal government reimburses the Authority for losses on purchased loans at varying percentages depending upon rates of defaults. Revenues consist of recovery of loan losses, federal reimbursement, loan guarantee fees, and investment income.

MACKINAC ISLAND STATE PARK COMMISSION

The Mackinac Island State Park Commission was established by P.A. 355 of 1927. It consists of seven members who are appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

MICHIGAN ECONOMIC DEVELOPMENT AUTHORITY

The Michigan Economic Development Authority was created by P.A. 70 of 1982. Per P.A. 270 of 1984, the Authority was merged with the newly created Michigan Strategic Fund. These statements show an equity transfer of the Authority's retained earnings as of October 1, 1985 to the Michigan Strategic Fund.

STATE OF MICHIGAN

DESCRIPTIONS OF ENTERPRISE FUNDS (Continued)

COMPONENT UNITS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) was created by P.A. 270 of 1984 to help diversify the economy of the State and provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. The MSF is governed by a board of 9 members, consisting of the Directors of the State Departments of Commerce and Treasury plus seven members appointed by the governor with the advice and consent of the Senate. Administratively, the MSF is within the Department of Commerce. The MSF succeeded to the rights, properties, obligations and duties of the Michigan Job Development Authority and Michigan Economic Development Authority. Effective October 1, 1985, the fund balances/retained earnings of these authorities were transferred to the MSF.

The MSF is authorized to issue various types of limited obligation debt. The MSF also receives oil and gas related revenues through the Michigan Natural Resources Trust Fund (a special revenue fund). A portion of those revenues fund research center grants.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

The Michigan State Housing Development Authority was created by P.A. 346 of 1966, as amended, to issue notes and bonds to finance housing for sale or rental to families with low and moderate incomes and to finance home improvements. Members of the Authority are appointed by the Governor. The Authority has a June 30 fiscal year-end.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
COMPONENT UNITS
SEPTEMBER 30, 1986
(In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,727	$ 674	$ 133
Equity in Common Cash	-	-	2,640
Amounts due from other funds	-	17	608
Amounts due from federal agencies	-	561	2,329
Inventories	-	-	-
Investments	121,735	11,284	27,424
Other current assets:			
Mortgages and loans receivable	50,123	-	-
Interest receivable	21,494	2,651	197
Miscellaneous	-	48	39
Total other current assets	71,617	2,700	236
Total Current Assets	196,079	15,238	33,373
Mortgages and loans receivable	1,095,965	158,110	794
Investments	889,086	12,534	14,991
Property, plant, and equipment:			
Land	-	-	-
Buildings and equipment	-	-	-
Construction in progress	-	-	-
Allowance for depreciation	-	-	-
Total property, plant, and equipment	-	-	-
Other noncurrent assets	-	397	-
Total Assets	$ 2,181,130	$ 186,280	$ 49,160
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Warrants outstanding	$ -	$ -	$ 1,112
Accounts payable and other liabilities	17,679	8	903
Amounts due to other funds	-	-	347
Bonds and notes payable	50,123	-	-
Interest payable	53,933	2,732	-
Deferred revenue	-	-	15,231
Escrow funds	-	-	-
Total Current Liabilities	121,735	2,741	17,595
Long-Term Liabilities:			
Bonds and notes payable	2,093,332	140,653	-
Unamortized premium (discount)	(39,832)	-	-
Other long-term liabilities	-	-	4,345
Total Liabilities	2,175,235	143,395	21,940
Fund Equity:			
Retained earnings - undesignated	5,895	4,408	23,777
Retained earnings - designated	-	38,476	3,442
Total Fund Equity	5,895	42,885	27,219
Total Liabilities and Fund Equity	$ 2,181,130	$ 186,280	$ 49,160

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN STRATEGIC FUND	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985
$ 1,188	$ 54,487	$ 574	$ 59,784	$ 77,859
-	-	-	2,640	33,044
-	383	-	1,008	748
-	-	-	2,891	6,084
190	-	-	190	186
120	-	305,614	466,178	478,759
-	1,244	-	51,367	38,918
1	404	24,724	49,473	45,839
17	-	6,439	6,543	4,758
19	1,649	31,163	107,385	89,517
1,517	56,520	337,351	640,080	686,199
-	18,411	1,603,406	2,876,687	2,624,212
-	-	294,448	1,211,060	764,950
225	-	-	225	225
4,244	-	-	4,244	4,138
2	-	-	2	2
(1,271)	-	-	(1,271)	(1,117)
3,201	-	-	3,201	3,249
-	22,034	3,898	26,329	5,492
$ 4,719	$ 96,965	$ 2,239,103	$ 4,757,358	$ 4,084,104
$ -	$ -	$ -	$ 1,112	$ 538
19	-	5,821	24,431	25,203
-	-	-	347	724
25	3,090	74,370	127,608	206,631
4	232	49,724	106,627	96,581
-	-	10,281	25,512	18,369
-	-	117,442	117,442	100,867
48	3,322	257,638	403,081	448,915
405	21,510	1,877,287	4,133,187	3,439,505
-	-	(27,981)	(67,813)	(51,452)
-	50	982	5,377	5,246
453	24,882	2,107,926	4,473,833	3,842,215
-	36,765	23,766	94,613	91,180
4,265	35,316	107,411	188,912	150,708
4,265	72,082	131,177	283,525	241,888
$ 4,719	$ 96,965	$ 2,239,103	$ 4,757,358	$ 4,084,104

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
OPERATING REVENUES:			
Operating revenues	$ -	$ -	$ 15,200
Interest income	114,245	12,430	-
Investment revenue (net)	62,727	2,653	2,887
Miscellaneous:			
Federal revenues	-	3,711	39,965
Financing fees	-	535	-
Other	1,272	-	-
Total miscellaneous	1,272	4,247	39,965
Total Operating Revenues	178,244	19,331	58,053
OPERATING EXPENSES:			
Salaries, wages, and other administrative	1,198	2,879	2,959
Interest expense	176,173	12,613	-
Depreciation	-	-	-
Purchases for resale	-	-	-
Other operating expenses:			
Provision for possible losses on loans	-	-	-
Amortization of deferred issue costs	-	542	-
Miscellaneous	205	368	48,267
Total other operating expenses	205	911	48,267
Total Operating Expenses	177,576	16,403	51,227
Operating Income (Loss)	668	2,927	6,826
NONOPERATING REVENUES (EXPENSES):			
Interest revenue (expense)	-	-	-
Mineral rights revenue	-	-	-
Federal grant revenues	-	-	-
Grant expense	-	-	-
Gain (loss) on debt refunding	-	(474)	-
Loss on sale of loans receivable	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Total Nonoperating Revenues (Expenses)	-	(474)	-
Income (Loss) Before Operating Transfers	668	2,453	6,826
OPERATING TRANSFERS:			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total Operating Transfers In (Out)	-	-	-
Net Income (Loss)	668	2,453	6,826
Retained Earnings - Beginning of fiscal year - as previously reported	5,227	40,432	20,393
Effect of accounting change	-	-	-
Retained Earnings - Beginning of fiscal year - restated	5,227	40,432	20,393
Equity transfers from other funds	-	-	-
Equity transfers to other funds	-	-	-
Retained Earnings - End of Fiscal Year	$ 5,895	$ 42,885	$ 27,219

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN ECONOMIC DEVELOPMENT AUTHORITY	MICHIGAN STRATEGIC FUND	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ 1,592	$ -	$ -	$ -	$ 16,793	$ 9,365
-	-	1,787	146,964	275,427	231,082
-	-	5,657	52,241	126,165	120,067
-	-	-	2,550	46,227	45,193
-	-	1,974	1,588	4,097	3,640
-	-	-	108	1,380	1,201
-	-	1,974	4,246	51,705	50,035
1,592	-	9,419	203,451	470,091	410,551
2,269	-	1,852	12,178	23,337	20,759
-	-	3,245	169,424	361,456	311,940
154	-	-	-	154	153
18	-	-	-	18	8
-	-	2,300	4,645	6,945	2,045
-	-	-	722	1,264	1,738
142	-	-	3,681	52,664	47,502
142	-	2,300	9,048	60,873	51,285
2,584	-	7,398	190,650	445,840	384,147
(991)	-	2,020	12,800	24,251	26,403
15	-	-	-	15	49
-	-	-	-	-	19,000
-	-	-	14,724	14,724	-
-	-	(5,250)	(14,724)	(19,974)	(5,000)
-	-	-	-	(474)	-
-	-	(3,615)	-	(3,615)	-
42	-	-	-	42	(32)
58	-	(8,865)	-	(9,281)	14,017
(932)	-	(6,845)	12,800	14,969	40,421
1,023	-	24,768	-	25,792	1,057
-	-	(563)	(257)	(821)	(757)
1,023	-	24,204	(257)	24,970	300
90	-	17,359	12,543	39,940	40,721
4,174	53,027	-0-	118,634	241,888	183,060
-	-	-	-	-	18,106
4,174	53,027	-0-	118,634	241,888	201,166
-	-	54,723	-	54,723	-
-	(53,027)	-	-	(53,027)	-
$ 4,265	$ -0-	$ 72,082	$ 131,177	$ 283,525	$ 241,888

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHROITY
SOURCES OF FUNDS:			
From operations:			
Net income (loss)	$ 668	$ 2,453	$ 6,826
Items not requiring (providing) working capital:			
Depreciation	-	-	-
Compensated absences - long-term portion	-	-	-
Provisions for losses on loans	-	-	-
Amortization of deferred items (net)	-	647	-
Working Capital Provided (Used) from Operations.	668	3,101	6,826
From other sources:			
Proceeds from bonds and notes sold	668,897	71,824	-
Principal repayments on loans	63,432	28,868	-
Decrease in noncurrent investments (net)	-	-	-
Working capital provided by equity transfer in	-	-	-
Increase in other long-term liabilities	-	-	-
Total Sources (Uses) of Funds	$ 732,997	$ 103,793	$ 6,826
APPLICATION OF FUNDS:			
Increase in noncurrent investments (net)	$ 424,396	$ 5,638	$ 14,991
New loans issued	240,429	12,749	-
Decrease in long-term bonds and notes payable	41,323	19,153	-
Increase in other noncurrent assets	-	71	194
Additions to fixed assets	-	-	-
Working capital used for equity transfer out	-	-	-
Net increase (decrease) in working capital	26,849	66,180	(8,360)
Total Application of Funds	$ 732,997	$ 103,793	$ 6,826
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Cash and cash equivalents	$ 2,171	$ (6,658)	$ 133
Equity in Common Cash	-	-	(30,404)
Amounts due from other funds	-	17	(53)
Amounts due from federal agencies	-	(405)	(2,788)
Inventories	-	-	-
Investments	26,735	(32,809)	24,274
Other current assets	24,384	(1,548)	172
Warrants outstanding	-	-	(574)
Accounts payable and other liabilities	(1,150)	150	1,629
Amounts due to other funds	-	57	319
Bonds and notes payable - current	(12,607)	105,000	-
Interest payable	(12,684)	2,377	-
Deferred revenue	-	-	(1,070)
Escrow funds	-	-	-
Net Increase (Decrease) in Working Capital	$ 26,849	$ 66,180	$ (8,360)

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN ECONOMIC DEVELOPMENT AUTHORITY	MICHIGAN STRATEGIC FUND	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ 90	$ -	$ 17,359	$ 12,543	$ 39,940	$ 40,721
154	-	-	-	154	153
-	-	-	81	81	901
-	-	2,300	4,645	6,945	2,045
-	-	-	17,172	17,819	7,791
245	-	19,659	34,441	64,940	51,611
-	-	-	73,008	813,729	632,337
-	-	3,365	51,751	147,416	106,761
-	-	-	-	-	1,601
-	-	67,815	-	67,815	-
-	-	50	-	50	-
$ 245	-0-	$ 90,890	$ 159,200	$ 1,093,953	$ 792,312
$ -	-	$ -	$ 1,084	$ 446,110	$ 149,693
-	-	12,569	140,362	406,109	329,690
25	-	3,090	89,800	153,391	293,513
-	-	22,034	101	22,401	2,081
106	-	-	-	106	68
-	66,119	-	-	66,119	-
113	(66,119)	53,197	(72,147)	(285)	17,264
$ 245	$ -0-	$ 90,890	$ 159,200	$ 1,093,953	$ 792,312
$ 427	$ (69,209)	$ 54,487	$ 574	$ (18,074)	$ 2,722
-	-	-	-	(30,404)	3,341
-	(86)	383	-	260	(169)
-	-	-	-	(3,193)	(302)
4	-	-	-	4	62
(360)	-	-	(30,420)	(12,580)	114,082
6	(1,076)	1,649	(5,719)	17,868	5,966
-	-	-	-	(574)	1,223
35	-	-	107	772	1,272
-	-	-	-	377	438
-	3,980	(3,090)	(14,260)	79,023	(85,554)
-	273	(232)	219	(10,045)	(12,530)
-	-	-	(6,073)	(7,143)	542
-	-	-	(16,575)	(16,575)	(13,832)
$ 113	$ (66,119)	$ 53,197	$ (72,147)	$ (285)	$ 17,264

STATE OF MICHIGAN

DESCRIPTIONS OF INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

CORRECTIONAL INDUSTRIES REVOLVING FUND

This fund was created by P.A. 210 of 1935 and continued by P.A. 15 of 1968 to account for the financial transactions of a manufacturing and processing industry, employing inmates of the State's correctional institutions. P.A. 245 of 1980 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, and certain tax exempt organizations.

P.A. 244 of 1980 mandated that the annual General Fund subsidies to this fund be eliminated by October 1, 1985, with the fund being self-sustaining from that date.

FEDERAL SURPLUS REVOLVING FUND

The purpose of the fund is to account for the operations related to and the distribution of surplus federal property to eligible units of State and local agencies for a service charge. The fund was created by administrative decision. Various plans to address the problem of recurring losses and growing fund deficits are being considered.

CENTRAL DRUG REPACKAGING REVOLVING FUND

The Central Drug Repackaging Revolving Fund was established to account for the central purchase and distribution of inventories of drugs and hospital supplies at individual locations. The fund purchased these items in bulk quantities and distributed them to eligible State and local agencies for a service fee. The fund was created by P.A. 111 of 1979 and operations were discontinued March 31, 1985. The fund was closed and the remaining balances were transferred to the General Fund in fiscal year 1985-86.

MOTOR TRANSPORT REVOLVING FUND

This fund was established by P.A. 260 of 1947 to provide automotive transportation for State agencies. Activities include purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short term usage. The Motor Transport Division vehicles are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are charged by Motor Transport Division on a monthly basis.

OFFICE SERVICES REVOLVING FUND

Created by P.A. 262 of 1952, this fund provides services in the following areas: reproduction, microfilm, mailing, and purchase and storage of paper, stationery, and office supplies. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment. During fiscal year 1985-86, the communications functions were transferred to the new Telecommunications Revolving Fund.

TELECOMMUNICATIONS REVOLVING FUND

The purpose of this fund is to provide telecommunication services to other State funds. Prior to fiscal year 1985-86, this fund was a part of Office Services Revolving Fund, within the Department of Management and Budget. During 1985-86 the State acquired an extensive telecommunication system which necessitated establishment of a separate fund. The cost of providing services is charged to the agencies on a monthly basis.

STATE OF MICHIGAN

DESCRIPTIONS OF INTERNAL SERVICE FUNDS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1986

STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the Department of Civil Service's insurance plans which provide state sponsored health, long-term disability, life, vision, and dental coverage for participating employees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. For those programs where the State purchases full coverage (e.g., health maintenance organizations), premiums are recorded as revenues and expenses. For self-insured (vision and dental) and partially self-insured (most health coverage, long-term disability, and life) benefit programs, the State recognizes revenues, expenses, and liabilities (insurance "reserves") in accordance with accounting principles applicable to insurance accounting in the private sector. This results in the recognition of unearned premiums (deferred revenues), rather than retained earnings, when a program's assets exceed its liabilities.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 1986
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	FEDERAL SURPLUS REVOLVING FUND	MOTOR TRANSPORT REVOLVING FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 3	$ 2	$ 6
Equity in Common Cash	9,184	-	-
Amounts due from other funds	-	-	-
Amounts due from local units	120	101	-
Inventories	8,175	-	485
Other current assets	621	2	148
Total Current Assets	18,105	106	640
Property, plant, and equipment:			
Buildings and equipment	13,059	351	57,611
Construction in progress	113	-	20
Allowance for depreciation	(6,667)	(303)	(20,895)
Total property, plant, and equipment	6,504	47	36,735
Other noncurrent assets	-	-	-
Total Assets	$ 24,609	$ 154	$ 37,376
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Liability to Common Cash	$ -	$ 666	$ 10,034
Warrants outstanding	38	1	263
Accounts payable and other liabilities	1,916	38	1,073
Amounts due to other funds	84	8	36
Deferred revenue	-	-	-
Total Current Liabilities	2,038	714	11,408
Long-Term Liabilities:			
Deferred revenue	-	-	-
Other long-term liabilities	728	125	342
Total Liabilities	2,767	839	11,751
Fund Equity:			
Retained earnings	21,842	(685)	25,625
Total Fund Equity	21,842	(685)	25,625
Total Liabilities and Fund Equity	$ 24,609	$ 154	$ 37,376

OFFICE SERVICES REVOLVING FUND	TELE-COMMUNICATIONS REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS	
			SEPTEMBER 30, 1986	SEPTEMBER 30, 1985
$ 1,000	$ -	$ 1	$ 1,013	$ 1,027
1,365	-	105,008	115,558	93,696
-	-	1,629	1,629	1,684
13	1	-	236	238
2,545	19	-	11,226	9,141
111	163	931	1,978	2,574
5,035	183	107,571	131,643	108,362
5,699	15,727	312	92,760	64,895
-	-	-	133	-
(3,273)	(567)	(260)	(31,968)	(27,146)
2,425	15,159	52	60,925	37,749
-	-	38,683	38,683	28,151
$ 7,461	$ 15,343	$ 146,307	$ 231,252	$ 174,263
$ -	$ 1,085	$ -	$ 11,786	$ 3,365
79	139	36	559	73
1,432	14,213	44,326	63,001	52,262
73	17	-	219	223
75	42	73,521	73,640	50,385
1,660	15,498	117,885	149,206	106,309
-	242	-	242	-
854	114	18,808	20,974	15,499
2,515	15,855	136,693	170,423	121,809
4,946	(512)	9,613	60,829	52,454
4,946	(512)	9,613	60,829	52,454
$ 7,461	$ 15,343	$ 146,307	$ 231,252	$ 174,263

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	FEDERAL SURPLUS REVOLVING FUND	CENTRAL DRUG REPACKAGING REVOLVING FUND	MOTOR TRANSPORT REVOLVING FUND
OPERATING REVENUES	$ 21,889	$ 547	$ -	$ 21,880
OPERATING EXPENSES:				
Salaries, wages, and other administrative expenses	11,659	757	-	5,904
Depreciation	529	19	-	9,455
Purchases for resale	-	-	-	4,276
Purchases for manufacturing	6,580	-	-	-
Payment of premiums and claims	-	-	-	1,523
Total Operating Expenses	18,769	776	-	21,159
Operating Income (Loss)	3,119	(228)	-	720
NONOPERATING REVENUES (EXPENSES):				
Gain (loss) on disposal of assets	(9)	(1)	(17)	(399)
Other nonoperating revenues (expenses)	-	-	(23)	2
Total Nonoperating Revenues (Expenses)	(10)	(1)	(40)	(396)
Income (Loss) Before Operating Transfers	3,109	(230)	(40)	324
OPERATING TRANSFERS:				
Operating transfers in	745	22	-	88
Operating transfers out	(90)	(32)	-	(460)
Total Operating Transfers In (Out)	654	(10)	-	(371)
Net Income (Loss)	3,763	(240)	(40)	(46)
Retained Earnings - Beginning of fiscal year	18,078	(444)	1,045	24,903
Equity transfer from other funds	-	-	-	-
Equity transfer to other funds	-	-	(1,005)	-
Contributed capital - fixed assets	-	-	-	768
Retained Earnings - End of fiscal year	$ 21,842	$ (685)	$ -	$ 25,625

OFFICE SERVICES REVOLVING FUND	TELE-COMMUNICATIONS REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ 25,500	$ 5,677	$ 240,132	$ 315,628	$ 283,905
8,045	5,374	14,462	46,203	31,515
693	567	25	11,290	8,724
14,400	-	-	18,676	23,165
-	-	-	6,580	4,761
-	-	221,524	223,048	212,430
23,139	5,942	236,012	305,800	280,596
2,361	(264)	4,119	9,827	3,309
(164)	-	-	(591)	(113)
-	-	-	(21)	8
(164)	-	-	(612)	(104)
2,197	(264)	4,119	9,214	3,204
144	11	72	1,084	1,229
(968)	(121)	(13)	(1,686)	(2,155)
(824)	(109)	58	(602)	(926)
1,372	(374)	4,178	8,612	2,278
3,435	-0-	5,434	52,454	50,176
137	-	-	137	-
-	(137)	-	(1,143)	-
-	-	-	768	-
$ 4,946	$ (512)	$ 9,613	$ 60,829	$ 52,454

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	FEDERAL SURPLUS REVOLVING FUND	CENTRAL DRUG REPACKAGING REVOLVING FUND	MOTOR TRANSPORT REVOLVING FUND
SOURCES OF FUNDS:				
From operations:				
Net income (loss)	$ 3,763	$ (240)	$ (40)	$ (46)
Items not requiring (providing) working capital:				
Depreciation	529	19	-	9,455
Compensated absences - long-term portion	77	44	-	54
Disability claims - long-term portion	-	-	-	-
Loss (gain) on disposal of fixed assets	9	1	-	399
Working Capital Provided (Used) from Operations	4,380	(175)	(40)	9,862
From other sources:				
Increase in long-term deferred revenues	-	-	-	-
Sale of fixed assets	-	16	-	2,273
Equity transfers from other funds	-	-	-	-
Contributed capital - fixed assets	-	-	-	768
Total Sources (Uses) of Funds	$ 4,380	$ (159)	$ (40)	$ 12,903
APPLICATION OF FUNDS:				
Increase in other noncurrent assets (net)	$ -	$ -	$ -	$ -
Additions to fixed assets	1,146	-	-	19,750
Reduction in long-term lease obligation	-	-	-	-
Equity transfers to other funds	-	-	1,005	-
Net increase (decrease) in working capital	3,233	(159)	(1,045)	(6,846)
Total Application of Funds	$ 4,380	$ (159)	$ (40)	$ 12,903
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and cash equivalents	$ -	$ -	$ -	$ 4
Equity in Common Cash	1,291	(196)	(1,028)	(7,138)
Amounts due from other funds	-	-	-	-
Amounts due from local units	(22)	28	-	-
Inventories	1,469	-	(19)	50
Other current assets	464	(20)	(73)	40
Warrants outstanding	(26)	1	-	(225)
Accounts payable and other liabilities	56	27	75	421
Amounts due to other funds	-	-	-	1
Deferred revenue	-	-	-	-
Net Increase (Decrease) in Working Capital	$ 3,233	$ (159)	$ (1,045)	$ (6,846)

OFFICE SERVICES REVOLVING FUND	TELE-COMMUNICATIONS REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ 1,372	$ (374)	$ 4,178	$ 8,612	$ 2,278
693	567	25	11,290	8,724
39	114	-	331	137
-	-	5,158	5,158	6,354
164	-	-	574	113
2,270	307	9,362	25,967	17,607
-	242	-	242	-
626	-	-	2,916	2,094
137	-	-	137	-
-	-	-	768	-
$ 3,034	$ 550	$ 9,362	$ 30,032	$ 19,701
$ -	$ -	$ 10,532	$ 10,532	$ 5,861
1,333	15,727	-	37,958	15,685
15	-	-	15	-
-	137	-	1,143	-
1,686	(15,314)	(1,171)	(19,616)	(1,845)
$ 3,034	$ 550	$ 9,362	$ 30,032	$ 19,701
$ -	$ (1,085)	$ (18)	$ (1,099)	$ (10)
1,131	-	20,467	14,526	32,478
-	-	(54)	(54)	257
(8)	1	-	(1)	(52)
563	19	-	2,084	421
29	163	(1,200)	(595)	425
(59)	(139)	(36)	(486)	986
1	(14,213)	2,892	(10,739)	(3,702)
18	(17)	-	4	(130)
9	(42)	(23,221)	(23,255)	(32,520)
$ 1,686	$ (15,314)	$ (1,171)	$ (19,616)	$ (1,845)

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STATE OF MICHIGAN
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS - BY CLASSIFICATION
SEPTEMBER 30, 1986
(In Thousands)

	EXPENDABLE TRUST FUNDS	PENSION TRUST FUNDS	AGENCY FUNDS	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 14	$ 10	$ 3,437	$ 3,462	$ 3,066
Equity in Common Cash	338,060	149,545	107,079	594,685	409,367
Taxes, interest, and penalties receivable	13,528	-	-	13,528	12,678
Amounts due from other funds	5,154	17,168	14,856	37,179	38,875
Amounts due from federal agencies	15,273	-	474	15,747	25,872
Amounts due from local units	6,576	35,510	200	42,286	39,529
Investments	97,690	1,675,791	-	1,773,482	361,827
Other current assets	94,801	135,302	958	231,061	173,289
Total Current Assets	571,098	2,013,328	127,005	2,711,432	1,064,507
Taxes, interest, and penalties receivable	12,800	-	-	12,800	20,933
Amounts due from local units	1,490	-	-	1,490	590
Investments	1,506,357	10,243,248	-	11,749,605	11,411,595
Other noncurrent assets	2,121	-	150	2,271	2,668
Total Assets	$ 2,093,867	$12,256,576	$ 127,155	$14,477,599	$12,500,295
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Liability to Common Cash	$ -	$ -	$ 3,191	$ 3,191	$ 3,549
Warrants outstanding	2,920	12,767	61,393	77,081	54,037
Accounts payable and other liabilities	34,394	275,892	62,108	372,395	119,269
Amounts due to other funds	3,576	-	312	3,888	5,138
Deferred revenue	18,709	-	-	18,709	19,317
Total Current Liabilities	59,600	288,659	127,005	475,266	201,312
Long-Term Liabilities:					
Advances from other funds	2,130	-	150	2,280	2,633
Deferred revenue	12,800	-	-	12,800	20,933
Total Liabilities	74,531	288,659	127,155	490,347	224,879
Fund Balances:					
Reserved	-	11,967,917	-	11,967,917	10,614,019
Unreserved	2,019,335	-	-	2,019,335	1,661,396
Total Fund Balances	2,019,335	11,967,917	-0-	13,987,252	12,275,416
Total Liabilities and Fund Balances	$ 2,093,867	$12,256,576	$ 127,155	$14,477,599	$12,500,295

STATE OF MICHIGAN

DESCRIPTIONS OF EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENCY FUND

The Michigan Employment Security Act - Contingency Fund, which is administered by the Michigan Employment Security Commission (MESC), was created by P.A. 535 of 1982 to receive a special unemployment tax surcharge, known as the solvency tax. The fund also receives interest and penalty charges on late contributions. Solvency taxes are restricted to two purposes, payment of interest on the Michigan Unemployment Compensation Fund borrowings from the federal government and, funding of the costs of a major automation project to the extent that such costs are not funded by other MESC revenue sources. Interest and penalty revenues are spent at the discretion of the commission. The recording of the deferred interest payments and deferred taxes receivable is explained in Note #18 to the general purpose financial statements. Expenditures in the fund reflect payment of deferred interest; operating transfers out reflect transfers to the MESC Administration Fund, where automation project and other costs are recorded as expenditures.

MICHIGAN STATE ACCIDENT FUND

As explained in the "Basis of Accounting - Reporting Entity" note to the financial statements, the operations of the Michigan State Accident Fund (MSAF) are not reported in these statements, pending the outcome of litigation between the MSAF and the State. The amounts included in the State trust fund represent only that portion of the assets which are invested by the State Treasurer on behalf of MSAF. Revenues of the trust fund include reimbursements for State employees workers' compensation payments and administrative costs, deposits by the MSAF to the fund, and investment earnings. Withdrawals from the fund by the MSAF are recorded as expenditures. Operating transfers out reflect trust fund administrative costs, which are recorded as expenditures in the General Fund.

SECOND INJURY FUND

Public Act 317 of 1969, created the Second Injury Fund within the Department of Labor to insure carriers and self-insured employers against certain workers' compensation losses. The fund is supervised by the administrator who is appointed by the fund's Board of Trustees. The fund's revenue consists of assessments, calculated under provisions of the act, which are assessed to insurance carriers. Administrative costs are appropriated in the General Fund with financing provided by way of operating transfers.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The fund and its governing board were authorized by P.A. 135 of 1945 as amended. Municipalities which elect to participate in the fund make contributions, which, with municipal employee contribution and investment income, provide revenues to the fund. Expenditures are recorded for benefit payments, contribution refunds, and direct administrative charges. Additional administrative costs incurred in the General Fund are financed by operating transfers from this fund. The State of Michigan's responsibility is that of due care required of an administrator. It has no legal or moral obligation to provide funding requirements, as that is the responsibility of the participating municipalities.

STATE EMPLOYEES' DEFERRED COMPENSATION FUND I (457)

The State Employees' Deferred Compensation Fund I (457) was administratively established to account for a deferred compensation plan which permits all State employees to defer a portion of their income until future years. The plan is administered by the Department of Civil Service. Employee contributions are recognized as revenue of the fund and benefits paid are recognized as expenditures. Administrative expenditures are appropriated in the General Fund and the reimbursement method is used at year-end so that they are reflected as expenditures in this fund. A footnote to the general purpose financial statements, titled "Deferred Compensation Plan," includes additional information on the plan. (Note: Beginning October 1, 1986, this fund is being reclassified as an agency fund. This change is being made pursuant to Statement 2 of the Governmental Accounting Standards Board.)

STATE EMPLOYEES' DEFERRED COMPENSATION FUND II (401K)

The State Employees' Deferred Compensation Fund II (401K) was administratively established during fiscal year 1985-86 to account for a deferred compensation plan which permits State employees to defer a portion of their income until future years. All State employees will be eligible to participate in the plan beginning October 1, 1986. During the initial start-up phase in the final three months of 1985-86, only a limited number of employees were eligible to participate. The plan is administered by the Department of Civil Service. Employee contributions are recognized as revenue of the fund and benefits paid are recognized as expenditures. Administrative expenditures are paid directly from the fund. A footnote to the general purpose financial statements, titled "Deferred Compensation Plans," includes additional information on the plan.

TRANSPORTATION RELATED TRUST FUNDS

The transportation related trust funds column reflects the activities of four funds: the Special Federal Bridge Replacement Fund, the Federal County Road Fund, the Federal Urban Transportation System Fund, and the Highway Topics and Safety Program Fund. The Michigan Department of Transportation is recognized as the legal representative of the State including all governmental subdivisions in the administration of these programs. The financing accounted for in these funds consists primarily of local and federal matching funds with very little State funds. Financing provided prior to expenditures being incurred is recorded as deferred revenue and revenue is recognized as expenditures are made. As a result of this, the fund balances of these funds are usually zero.

The Special Federal Bridge Replacement Fund was established in conjunction with the Federal Highway Act of 1970, Section 144. This section was authorized by Congress to assist states in reconstructing or replacing roadway bridges which are found to be unsafe or obsolete.

The Federal County Road Fund was established in conjunction with the Federal Aid Highway Act of 1944. This act authorizes funds for projects on the secondary road system which are selected by the Michigan Department of Transportation in cooperation with county road commissions and the Bureau of Public Roads.

The Federal Urban Transportation System Fund was created to administer provisions of the Federal Highway Act of 1970, Section 106. The responsibility for administration of the act was placed in the Michigan Department of Transportation by Section 302(a) of Title 23, United States Code, and was authorized by P.A. 286, Section 7(m), of the Michigan Public Acts of 1964. The principal objective of the fund is directed to improvement of urban highway systems in cooperation with local units of government.

The Highway Topics and Safety Program Fund was established in conjunction with the Federal Aid Highway Acts of 1968 and 1973. The objective of this program is to improve the safety and operating conditions of the existing street and road systems in urban areas.

MISCELLANEOUS TRUST ACCOUNTS FUND

This fund is used to report the transactions of several legally separated activities in which the State holds funds in a fiduciary manner. These activities include the following "funds": State Office Building and Bond Redemption; Children's Institute Trust; Escheats; Gifts, Bequests, and Deposits; Silicosis, Dust Disease, and Logging Industry Compensation; Agricultural College Fund - Morrill Act; Hospital Patients' Trust; Federal Housing Administration Mortgages Escrow; Self-Insurers' Security; Special Assessment Deferment; Urban Land Assembly Loan; Utility Consumer Representation; and Bankrupt Self Insured Corporations Workers' Disability Funds #1 and #2.

Included in the revenues of this fund for 1985-86 was the deposit of proceeds (approximately $97 million) related to certain federal court cases, most notably the case of United States of America vs. Exxon Corporation. The settlement requires that the State, on behalf of its citizens, use the proceeds in accord with criteria established by the court. Most of the proceeds were not expended during 1985-86, and this accounts for the relatively large balance in this fund as of September 30, 1986.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
SEPTEMBER 30, 1986
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENCY FUND	MICHIGAN STATE ACCIDENT FUND	SECOND INJURY FUND	MUNICIPAL EMPLOYEES' RETIREMENT FUND
ASSETS				
Current Assets:				
Cash and cash equivalents	$ -	$ -	$ 8	$ 5
Equity in Common Cash	39,035	62,338	16,344	29,902
Taxes, interest, and penalties receivable	13,528	-	-	-
Amounts due from other funds	1,073	600	284	945
Amounts due from federal agencies	-	-	-	-
Amounts due from local units	-	-	-	2,756
Investments	-	-	-	78,170
Other current assets	-	10,197	-	79,307
Total Current Assets	53,638	73,136	16,637	191,087
Taxes, interest, and penalties receivable	12,800	-	-	-
Amounts due from local units	-	-	-	-
Investments	-	251,817	-	797,235
Other noncurrent assets	-	-	-	-
Total Assets	$ 66,438	$ 324,954	$ 16,637	$ 988,323
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ -	$ -	$ 249	$ 226
Accounts payable and other liabilities	-	-	791	14,373
Amounts due to other funds	-	-	-	-
Deferred revenue	10,400	-	-	-
Total Current Liabilities	10,400	-	1,041	14,600
Long-Term Liabilities:				
Advances from other funds	-	-	-	-
Deferred revenue	12,800	-	-	-
Total Liabilities	23,200	-	1,041	14,600
Fund Balances:				
Unreserved	43,238	324,954	15,596	973,723
Total Fund Balances	43,238	324,954	15,596	973,723
Total Liabilities and Fund Balances	$ 66,438	$ 324,954	$ 16,637	$ 988,323

STATE EMPLOYEES DEFERRED COMPENSATION FUND I (457)	STATE EMPLOYEES DEFERRED COMPENSATION FUND II(401K)	TRANSPORTATION RELATED TRUST FUNDS	MISCELLANEOUS TRUST ACCOUNTS FUND	TOTALS	
				SEPTEMBER 30, 1986	SEPTEMBER 30, 1985
$ -	$ -	$ -	$ 1	$ 14	$ 44
12,371	1,784	8,100	168,182	338,060	167,312
-	-	-	-	13,528	12,678
328	13	113	1,794	5,154	3,353
-	-	15,273	-	15,273	25,354
-	-	3,820	-	6,576	9,008
-	-	-	19,519	97,690	88,502
-	-	-	5,295	94,801	33,546
12,700	1,797	27,307	194,792	571,098	339,801
-	-	-	-	12,800	20,933
-	-	-	1,490	1,490	590
456,599	-	-	705	1,506,357	1,373,951
-	-	-	2,121	2,121	2,318
$ 469,299	$ 1,797	$ 27,307	$ 199,109	$ 2,093,867	$ 1,737,594
$ 19	$ -	$ 1,249	$ 1,176	$ 2,920	$ 1,741
4	3	14,649	4,571	34,394	26,987
-	1	3,099	475	3,576	4,933
-	-	8,309	-	18,709	19,317
23	4	27,307	6,222	59,600	52,981
-	-	-	2,130	2,130	2,283
-	-	-	-	12,800	20,933
23	4	27,307	8,353	74,531	76,198
- 469,275	1,792	-	190,755	2,019,335	1,661,396
469,275	1,792	-0-	190,755	2,019,335	1,661,396
$ 469,299	$ 1,797	$ 27,307	$ 199,109	$ 2,093,867	$ 1,737,594

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENCY FUND	MICHIGAN STATE ACCIDENT FUND	SECOND INJURY FUND	MUNICIPAL EMPLOYEES' RETIREMENT FUND
REVENUES				
Taxes	$ 14,081	$ -	$ -	$ -
From federal agencies	-	-	-	-
From local agencies	-	-	-	-
Miscellaneous	10,077	50,351	13,343	162,073
Total Revenues	24,158	50,351	13,343	162,073
EXPENDITURES				
Current:				
General government	-	-	-	35,201
Education	-	-	-	-
Health and welfare	-	-	-	-
Conservation, recreation, and agriculture	-	-	-	-
Labor, commerce, and regulatory	25,501	3,882	14,723	-
Mental health	-	-	-	-
Transportation	-	-	-	-
Total Expenditures	25,501	3,882	14,723	35,201
Excess of Revenues over (under) Expenditures	(1,343)	46,468	(1,379)	126,871
OTHER FINANCING SOURCES (USES)				
Operating transfers in	113	-	1	-
Operating transfers out	(6,349)	(60)	(2,244)	(106)
Total Other Financing Sources (Uses)	(6,235)	(60)	(2,242)	(105)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(7,579)	46,408	(3,622)	126,765
Fund Balances - Beginning of fiscal year as previously reported	50,817	278,546	19,218	846,957
Effect of accounting changes	-	-	-	-
Fund Balances - Beginning of fiscal year - restated	50,817	278,546	19,218	846,957
Fund Balances - End of fiscal year	$ 43,238	$ 324,954	$ 15,596	$ 973,723

STATE EMPLOYEES' DEFERRED COMPENSATION FUND I (457)	STATE EMPLOYEES' DEFERRED COMPENSATION FUND II (401K)	TRANSPORTATION RELATED TRUST FUNDS	MISCELLANEOUS TRUST ACCOUNTS FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ -	$ -	$ -	$ -	$ 14,081	$ 58,838
-	-	93,936	-	93,936	92,075
-	-	22,141	-	22,141	17,821
121,247	1,980	458	169,398	528,931	371,442
121,247	1,980	116,536	169,398	659,090	540,178
20,974	187	-	43,803	100,167	95,365
-	-	-	8	8	56
-	-	-	1	1	11
-	-	-	-	-	502
-	-	-	5,359	49,467	62,493
-	-	-	5,842	5,842	5,860
-	-	120,697	-	120,697	114,782
20,974	187	120,697	55,016	276,185	279,071
100,272	1,792	(4,160)	114,382	382,905	261,106
-	-	4,258	525	4,899	5,009
-	-	(97)	(21,008)	(29,866)	(22,891)
-	-	4,160	(20,483)	(24,967)	(17,881)
100,272	1,792	-	93,899	357,937	243,225
369,002	-0-	-0-	96,855	1,661,397	1,443,677
-	-	-	-	-	(25,506)
369,002	-0-	-0-	96,855	1,661,397	1,418,171
$ 469,275	$ 1,792	$ -0-	$ 190,755	$ 2,019,335	$ 1,661,396

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STATE OF MICHIGAN

DESCRIPTIONS OF PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

LEGISLATIVE RETIREMENT FUND

The Legislative Retirement System was created by P.A. 261 of 1957 to provide retirement allowances, survivors' allowances, and other benefits for members of the Legislature and the presiding officers and their widows or children.

Participants in the system have a deduction from each salary payment to partly finance the fund. In addition, legislative appropriations, interest on fund investments, and court fees complete the financing.

STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND

This fund was created by P.A. 251 of 1935 to provide retirement benefits for State Police officers and is administered by the Director of the Department of State Police under the supervision of the State Administrative Board. Financing is provided by investment income and by an annual legislative appropriation from the General Fund.

STATE EMPLOYEES' RETIREMENT FUND

This fund was established by P.A. 240 of 1943 and is administered by a nine member board under the direction of an Executive Secretary. P.A. 216 of 1974 eliminated the requirement for member contributions and provided for financing entirely by legislative appropriation. Financing requirements are based on an actuarial percentage of members' current salaries and wages. Administrative costs are financed by the investment earnings of the fund.

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND

In accordance with P.A. 300 of 1980, on October 1, 1981 the Public School Employees' Chapter I Retirement Fund was merged with the Public School Employees' Chapter II Retirement Fund to establish the Public School Employees' Retirement Fund. The two original funds were created by Public Acts 136 of 1945 and 259 of 1974, respectively.

Financing for the fund is based upon an actuarial determination that is funded by both annual appropriations by the Legislature and employer contributions. Under P.A. 91 of 1985, additional amounts may be contributed by employees to a "member investment plan." Benefit payments and administrative costs are the principal expenses of the fund. Administrative policy is governed by an eight member board.

PROBATE JUDGES' AND JUDGES' RETIREMENT FUNDS

P.A. 198 of 1951 and P.A. 165 of 1954 created the Judges' and Probate Judges' Retirement Funds respectively. These funds are administered by their respective boards under direction of the Executive Secretary of the State Employees' Retirement Fund. Financing is from member contributions, court filing fees as provided under law, and legislative appropriations. Amendments to the basic law by P.A. 508 and P.A. 510 of 1982 closed the Probate Judges' Retirement Fund to new members. As of January 1983, all new members of the judicial retirement system will be included in the Judges' Retirement Fund.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
PENSION TRUST FUNDS
SEPTEMBER 30, 1986
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND	STATE EMPLOYEES' RETIREMENT FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ -	$ 5
Equity in Common Cash	5,525	8,401	54,023
Amounts due from other funds	109	72	15,601
Amounts due from local units	78	-	-
Investments	-	37,927	402,128
Other current assets	1,236	2,925	30,128
Total Current Assets	6,950	49,327	501,886
Investments	36,928	228,150	2,242,710
Total Assets	$ 43,878	$ 277,477	$ 2,744,597
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Liability to Common Cash	$ -	$ -	$ -
Warrants outstanding	23	242	4,097
Accounts payable and other liabilities	446	566	71,898
Total Current Liabilities	469	809	75,995
Total Liabilities	469	809	75,995
Fund Balances:			
Reserved for Retirement Benefits	43,409	276,668	2,668,601
Total Fund Balances	43,409	276,668	2,668,601
Total Liabilities and Fund Balances	$ 43,878	$ 277,477	$ 2,744,597

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	TOTALS SEPTEMBER 30, 1986	TOTALS SEPTEMBER 30, 1985
$ 5	$ -	$ -	$ 10	$ 10
78,239	1,230	2,123	149,545	142,402
1,316	17	50	17,168	22,304
35,431	-	-	35,510	30,310
1,223,502	1,843	10,389	1,675,791	273,324
99,212	291	1,507	135,302	139,207
1,437,709	3,382	14,071	2,013,328	607,559
7,663,699	9,832	61,928	10,243,248	10,037,644
$ 9,101,408	$ 13,215	$ 75,999	$12,256,576	$10,645,204
$ -	$ -	$ -	$ -	$ 324
8,330	18	54	12,767	7,286
202,481	32	467	275,892	23,573
210,811	51	521	288,659	31,184
210,811	51	521	288,659	31,184
8,890,596	13,163	75,477	11,967,917	10,614,019
8,890,596	13,163	75,477	11,967,917	10,614,019
$ 9,101,408	$ 13,215	$ 75,999	$12,256,576	$10,645,204

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND	STATE EMPLOYEES' RETIREMENT FUND
OPERATING REVENUES:			
Contributions:			
From members	$ 378	$ 2	$ 1,601
From employers	1,482	15,599	229,871
Total contributions from members and employers	1,861	15,602	231,472
Investment revenue (net)	3,575	32,492	306,093
Miscellaneous:			
Court fees for administration and annuities	988	-	-
Miscellaneous	-	-	-
Total miscellaneous	988	-	-
Total Operating Revenues	6,426	48,094	537,566
OPERATING EXPENSES:			
Salaries, wages, and other administrative expenses	228	30	1,602
Benefits, insurance, and refunds:			
Benefits paid to participants or beneficiaries	1,524	10,220	183,788
Medical, dental, and life insurance for retirants	486	2,235	32,041
Refunds to terminated members	1	-	289
Total benefits, insurance, and refunds	2,012	12,455	216,118
Total Operating Expenses	2,240	12,486	217,721
Operating Income	4,185	35,608	319,845
OPERATING TRANSFERS:			
Operating transfers in	-	-	101
Operating transfers out	(4)	(134)	(827)
Total Operating Transfers In (Out)	(4)	(134)	(726)
Net Income	4,180	35,473	319,118
Fund Balances - Beginning of fiscal year	39,228	241,195	2,349,482
Fund Balances - End of fiscal year	$ 43,409	$ 276,668	$ 2,668,601

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ 14,840	$ 201	$ 1,751	$ 18,775	$ 9,597
567,797	87	1,119	815,959	749,804
582,638	289	2,871	834,735	759,401
1,030,124	1,431	8,258	1,381,977	961,082
-	661	5,681	7,331	6,761
11	-	-	11	10
11	661	5,681	7,343	6,771
1,612,774	2,382	16,810	2,224,055	1,727,254
4,927	59	134	6,982	5,740
535,638	898	3,833	735,903	435,195
85,388	-	3	120,154	81,314
1,760	-	20	2,071	2,459
622,786	898	3,857	858,129	518,968
627,714	957	3,991	865,112	524,709
985,060	1,424	12,819	1,358,943	1,202,545
26	-	-	128	83
(2,609)	(16)	(1,581)	(5,174)	(5,289)
(2,582)	(16)	(1,581)	(5,046)	(5,206)
982,477	1,408	11,237	1,353,897	1,197,339
7,908,119	11,754	64,239	10,614,019	9,416,680
$ 8,890,596	$ 13,163	$ 75,477	$11,967,917	$10,614,019

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND	STATE EMPLOYEES' RETIREMENT FUND
SOURCES OF FUNDS:			
From Operations:			
Net income	$ 4,180	$ 35,473	$ 319,118
Working Capital Provided from Operations	4,180	35,473	319,118
From Other Sources:	-		
Decrease in noncurrent investments (net)	-	-	-
Total Sources of Funds	$ 4,180	$ 35,473	$ 319,118
APPLICATION OF FUNDS:			
Increase in noncurrent investments (net)	$ 13,565	$ 3,140	$ 28,149
Net increase (decrease) in working capital	(9,384)	32,333	290,968
Total Application of Funds	$ 4,180	$ 35,473	$ 319,118
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Cash and cash equivalents	$ -	$ -	$ -
Equity in Common Cash	(9,170)	1,272	21,129
Amounts due from other funds	(176)	(10)	(4,898)
Amounts due from local units	24	-	-
Investments	-	31,669	341,376
Other current assets	370	(6)	(559)
Warrants outstanding	13	(84)	(2,427)
Accounts payable and other liabilities	(446)	(507)	(63,650)
Net Increase (Decrease) in Working Capital	$ (9,384)	$ 32,333	$ 290,968

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1986	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985
$ 982,477	$ 1,408	$ 11,237	$ 1,353,897	$ 1,197,339
982,477	1,408	11,237	1,353,897	1,197,339
-	512	-	512	49
$ 982,477	$ 1,921	$ 11,237	$ 1,354,409	$ 1,197,388
$ 160,874	$ -	$ 385	$ 206,116	$ 1,125,428
821,602	1,921	10,851	1,148,292	71,960
$ 982,477	$ 1,921	$ 11,237	$ 1,354,409	$ 1,197,388
$ -	$ -	$ -	$ -	$ (262)
(8,613)	400	2,447	7,466	59,927
(88)	3	34	(5,136)	7,565
5,175	-	-	5,199	(5,553)
1,019,182	1,542	8,695	1,402,466	(49,730)
(3,835)	6	119	(3,904)	(6,093)
(2,994)	-	13	(5,480)	8,464
(187,223)	(31)	(459)	(252,318)	57,641
$ 821,602	$ 1,921	$ 10,851	$ 1,148,292	$ 71,960

STATE OF MICHIGAN

DESCRIPTIONS OF AGENCY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1986

RECEIPTS CLEARING FUND

This fund is used by several State departments primarily as a depository for various receipts; the classification as to type of revenue being unknown at the time of deposit. Subsequent to the deposit of monies in this fund, the participating departments initiate a determination procedure to clear this fund of deposits made and to credit the proper funds and accounts for revenues received.

METROPOLITAN PLANNING FUND

This fund was established by the Federal Highway Act of 1973, Section 112 and 134 to account for Federal "pass through" funds that reimburse local regional planning agencies for operating expenses. Local money is advanced to the fund, approximately 80% of which is reimbursed to the local unit by the federal government. The financing accounted for in this fund consists of federal and local money, and no State funds are involved.

CONTRIBUTION FUND (SOCIAL SECURITY)

The function of this fund is to account for monies provided for social security coverage of employees of the State of Michigan and its political subdivisions. The fund, established by P.A. 205 of 1951, is administered by the State Employees' Retirement Board. Social Security reports and contributions by the employee and the employer are reported to the board. The various reports and contributions are recapped and forwarded to the Federal Social Security Administration. The administrative costs are prorated to the various reporting units.

AIRPORT AUTHORITIES FACILITIES IMPROVEMENT TRUST FUND

This fund was authorized by P.A. 327 of 1945. The purpose of the fund was to hold in trust monies deposited by local airport authorities for the purchase of land for local airport improvements. The land purchase transactions were administered by the Right of Way Division of the Department of Transportation. The deposits covered the land purchase price and the purchase administrative costs. No State funds were involved. The final land purchase transactions for this fund were completed during the 1984-85 fiscal year. The final administration costs were incurred during the 1985-86 fiscal year.

SCHOOL EMERGENCY LOAN REVOLVING FUND

This fund was authorized by P.A. 8 of 1977 to furnish emergency financial assistance to insolvent school districts. Since the loan authority expired June 30, 1983, collection of outstanding loans has been the sole purpose of the fund. Loan repayments with interest are transferred annually to the General Fund.

HAZARDOUS AND SOLID WASTE DISPOSAL FACILITIES CLOSURE GUARANTEE FUND

This fund was authorized by P.A. 641 of 1978, as amended, and Act 64 of 1979 to account for cash bonds posted by applicants desiring licenses to operate hazardous and solid waste disposal areas. In accordance with P.A. 641 of 1978, as amended, interest earnings up to 6% are credited to the applicant's account. This act also specifies the circumstances under which the director of the Department of Natural Resources is authorized to use the deposits to close and maintain a facility or return the deposit to the operator upon his satisfactory closure and maintenance of such facility.

HERITAGE TRUST FUND

This fund was created by P.A. 327 of 1982, as amended, to record deposits of certain bonuses, rentals, delayed rentals, and royalties collected by the State under provisions of specific State oil and gas leases until September 30, 2032. These monies were distributed quarterly to the former Michigan Economic Development Authority as specified by the Act. The Act also provided for a transfer to the former State Recreational Land Acquisition Trust Fund of any balance remaining in the fund on July 1 of each year.

The State Constitution was amended in November 1984 to provide for a "Michigan Natural Resources Trust Fund." The Heritage Trust Fund was merged into the new fund on October 1, 1985.

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	BALANCE OCTOBER 1, 1985	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1986
RECEIPTS CLEARING FUND				
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,011	$ 3,437	$ 3,011	$ 3,437
Equity in Common Cash	-	2,293,752	2,293,752	-
Other current assets	530	1,656	1,230	956
Total Assets	$ 3,541	$ 2,298,847	$ 2,297,995	$ 4,393
LIABILITIES				
Current Liabilities:				
Liability to Common Cash	$ 3,225	$ 3,191	$ 3,225	$ 3,191
Warrants outstanding	44	427	-	471
Accounts payable and other liabilities	268	2,190,222	2,189,871	618
Amounts due to other funds	4	112	4	112
Total Liabilities	$ 3,541	$ 2,193,952	$ 2,193,101	$ 4,393
METROPOLITAN PLANNING FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 50	$ 2,467	$ 2,419	$ 99
Amounts due from federal agencies	518	474	518	474
Total Assets	$ 569	$ 2,941	$ 2,937	$ 573
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 8	$ 8	$ -	$ 16
Accounts payable and other liabilities	560	2,621	2,625	556
Total Liabilities	$ 569	$ 2,629	$ 2,625	$ 573
CONTRIBUTION FUND (SOCIAL SECURITY)				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 86,400	$ 1,457,616	$ 1,437,223	$ 106,792
Amounts due from other funds	13,095	14,853	13,095	14,853
Other current assets	5	1	5	1
Total Assets	$ 99,501	$ 1,472,471	$ 1,450,324	$ 121,648
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 44,956	$ 15,948	$ -	$ 60,905
Accounts payable and other liabilities	54,544	1,432,040	1,425,842	60,742
Total Liabilities	$ 99,501	$ 1,447,988	$ 1,425,842	$ 121,648

Continued on next page

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	BALANCE OCTOBER 1, 1985	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1986
AIRPORT AUTHORITIES FACILITIES IMPROVEMENT TRUST FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 34	$ 1	$ 35	$ -
Amounts due from other funds	1	-	1	-
Total Assets	$ 35	$ 1	$ 37	$ -
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 35	$ -	$ 35	$ -
Total Liabilities	$ 35	$ -	$ 35	$ -
SCHOOL EMERGENCY LOAN REVOLVING FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	$ -	$ 231	$ 231	$ -
Amounts due from local units	211	200	211	200
Total Current Assets	211	431	442	200
Noncurrent Assets	350	-	200	150
Total Assets	$ 561	$ 431	$ 642	$ 350
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 11	$ 62	$ 73	$ -
Amounts due to other funds	200	200	200	200
Total Current Liabilities	211	262	273	200
Long-term Liabilities:				
Advances from other funds	350	-	200	150
Total Liabilities	$ 561	$ 262	$ 473	$ 350
HAZARDOUS AND SOLID WASTE DISPOSAL FACILITIES CLOSURE GUARANTEE FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 186	$ 27	$ 25	$ 187
Amounts due from other funds	3	2	3	2
Total Assets	$ 189	$ 30	$ 29	$ 190
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 189	$ 24	$ 23	$ 190
Total Liabilities	$ 189	$ 24	$ 23	$ 190

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STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

	BALANCE OCTOBER 1, 1985	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1986
HERITAGE TRUST FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 12,980	$ -	$ 12,980	$ -
Amounts due from other funds	117	-	117	-
Total Assets	$ 13,098	$ -	$ 13,098	$ -
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 13,098	$ -	$ 13,098	$ -
Total Liabilities	$ 13,098	$ -	$ 13,098	$ -
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,011	$ 3,437	$ 3,011	$ 3,437
Equity in Common Cash	99,652	3,754,097	3,746,669	107,079
Amounts due from other funds	13,217	14,856	13,217	14,856
Amounts due from federal agencies	518	474	518	474
Amounts due from local units	211	200	211	200
Other current assets	535	1,658	1,236	958
Total Current Assets	117,146	3,774,723	3,764,864	127,005
Noncurrent Assets	350	-	200	150
Total Assets	$ 117,496	$ 3,774,723	$ 3,765,064	$ 127,155
LIABILITIES				
Current Liabilities:				
Liability to Common Cash	$ 3,225	$ 3,191	$ 3,225	$ 3,191
Warrants outstanding	45,009	16,384	-	61,393
Accounts payable and other liabilities	68,708	3,624,970	3,631,569	62,108
Amounts due to other funds	204	312	204	312
Total Current Liabilities	117,146	3,644,857	3,634,998	127,005
Long-term Liabilities:				
Advances from other funds	350	-	200	150
Total Liabilities	$ 117,496	$ 3,644,857	$ 3,635,198	$ 127,155

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II FINANCIAL SECTION

SUPPLEMENTAL FINANCIAL DATA

SCHEDULES

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STATE OF MICHIGAN

SCHEDULE OF GENERAL FIXED ASSETS ACCOUNT GROUP BY FUNCTION

SEPTEMBER 30, 1986

(In Thousands)

FUNCTION	LAND	BUILDINGS	EQUIPMENT	TOTAL
General government	$ 30,701	$ 178,033	$ 57,978	$ 266,713
Education	313	10,278	8,079	18,671
Health and welfare	1,918	72,808	47,850	122,577
Public safety and corrections	7,729	272,262	48,969	328,962
Conservation, recreation, and agriculture	111,673	42,818	45,865	200,357
Labor, commerce, and regulatory	2,364	2,902	36,102	41,369
Mental health	24,122	233,058	21,127	278,308
Transportation	2,512	23,618	72,691	98,823
Total general fixed assets allocated to functions	$ 181,335	$ 835,782	$ 338,665	1,355,783
Construction in progress				150,906
Total general fixed assets				$ 1,506,690

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

FISCAL YEAR ENDED SEPTEMBER 30, 1986

(In Thousands)

FUNCTION	BALANCE SEPTEMBER 30, 1985	ADDITIONS	DELETIONS	BALANCE SEPTEMBER 30, 1986
General government	$ 257,983	$ 21,704	$ 12,973	$ 266,713
Education	17,808	950	87	18,671
Health and welfare	115,021	17,291	9,733	122,577
Public safety and corrections	283,988	50,019	5,046	328,962
Conservation, recreation, and agriculture	185,424	18,792	3,859	200,357
Labor, commerce, and regulatory	38,843	2,731	205	41,369
Mental health	273,939	7,866	3,496	278,308
Transportation	88,400	15,145	4,722	98,823
Total general fixed assets allocated to functions	$ 1,261,406	$ 134,501	$ 40,124	$ 1,355,783

STATE OF MICHIGAN
COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS - OVERSIGHT ENTITY
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
TAXES			
Sales tax	$ 2,283,138	$ 870,037	$ 1,413,101
Personal income tax	3,153,952	3,153,952	-
Corporation income tax	1,855	1,855	-
Single business tax	1,526,598	1,526,598	-
Use tax	390,839	390,839	-
Cigarette tax	236,489	213,782	22,707
Beer and wine tax	53,087	53,087	-
Liquor excise tax	41,265	20,632	20,632
Horse race wagering tax	19,606	19,606	-
Intangibles tax	74,149	74,149	-
Inheritance tax	78,296	78,296	-
Telephone and telegraph company tax	116,880	116,880	-
Insurance company premium tax	148,551	148,551	-
Motor vehicle weight tax	299,980	-	299,980
Gasoline tax	595,766	-	595,766
Aviation fuel tax	4,271	-	4,271
Diesel fuel tax	47,924	-	47,924
Gas and oil severance tax	56,533	56,533	-
Industrial facilities tax	49,277	-	49,277
Penalties and interest - various taxes	55,495	55,495	-
Watercraft registration tax	3,085	-	3,085
Other taxes	33,758	30,637	3,121
	9,270,804	6,810,937	2,459,867
FROM FEDERAL AGENCIES			
Department of Health and Human Services	2,319,531	2,319,375	156
Department of Education	249,044	210,450	38,594
Department of Agriculture	195,338	195,338	-
Department of Labor	270,614	169,158	101,455
Department of Housing and Urban Development	15,278	15,278	-
Environmental Protection Agency	13,784	13,784	-
Department of Energy	12,436	12,436	-
Department of Transportation	366,767	6,318	360,448
Department of Interior	8,968	8,027	940
Department of Defense	17,114	17,114	-
Department of Justice	2,381	2,381	-
Other federal agencies	27,366	25,753	1,613
	3,498,625	2,995,417	503,208
FROM LOCAL AGENCIES			
Counties	90,556	85,730	4,825
Cities, villages, and townships	10,546	10,498	47
Colleges and universities	5,410	5,410	-
School districts	5,758	5,758	-
Multi-level governmental units	10,716	884	9,831
Other local agencies	4,578	2,233	2,345
	127,566	110,516	17,050

Continued on next page.

STATE OF MICHIGAN
COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES (Continued)
GENERAL AND SPECIAL REVENUE FUNDS - OVERSIGHT ENTITY
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
FROM SERVICES			
Charges for furnishing vehicle driver records	$ 20,506	$ 20,506	$ -
Revenue for patient, ward, and inmate care	82,526	82,526	-
Other services	9,811	8,848	963
	112,844	111,881	963
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	11,748	11,748	-
Motor vehicle operators' and chauffeurs' licenses	15,398	15,398	-
Examination fees -- financial institutions and insurance industry	6,107	6,107	-
Department of Licensing and Regulation licenses and permits	14,492	14,492	-
Concession and privilege fees - State parks	8,452	8,452	-
Motor vehicle related	25,650	4,888	20,762
Hunting, fishing, and trapping licenses	28,403	-	28,403
Public utility assessment fees	12,631	12,631	-
Department of Commerce licenses and permits	7,408	7,408	-
Department of Agriculture licenses and permits	2,016	2,016	-
Auto repair facilities and mechanics licenses and fees	2,962	2,962	-
Corporation franchise fees	2,250	2,250	-
Other licenses and permits	14,094	7,331	6,762
	151,617	95,688	55,929
MISCELLANEOUS			
Income from investments	136,887	69,791	67,096
Various fines, fees, and assessments	11,460	7,703	3,757
Court fines, fees, and assessments	17,979	12,749	5,229
Oil and gas royalties, fees, assignments, and rentals	69,069	5,805	63,264
International Bridge Authority reimbursements	1,257	-	1,257
Sale of forest products on tax reverted land	5,825	5,825	-
Child support	133,196	133,196	-
Sale of land	6,075	2,561	3,513
Third party	4,148	4,148	-
Other	60,055	40,716	19,339
	445,957	282,499	163,457
Total Revenues	13,607,416	10,406,940	3,200,476
OTHER MISCELLANEOUS AND OTHER FINANCING SOURCES			
Other Financing Sources:			
Proceeds from sale of bonds	7,518	-	7,518
Capital lease acquisitions	9,100	9,100	-
Operating transfers in:			
From general and special revenue funds	1,145,636	145,474	1,000,161
From Liquor Purchase Revolving Fund	68,381	68,381	-
From State Lottery Fund	415,921	870	415,051
From Escheats Fund	18,193	18,193	-
From other funds	23,744	12,940	10,804
	1,688,496	254,961	1,433,535
Total Revenue and Other Financing Sources	$15,295,913	$10,661,901	$ 4,634,012

STATE OF MICHIGAN
SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 1986
(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION	UNEXPENDED BALANCES FROM PRIOR YEARS	RESTRICTED REVENUE ADDITIONS	BUDGETARY TRANSFERS IN (OUT)	GROSS AUTHORIZATIONS
Legislative Branch	$ 86,362	$ 7,573	$ 4,528	$ 1,484	$ 99,948
Judicial Branch	79,906	756	19,292	9,318	109,275
Executive Branch:					
Executive Office	3,527	26	-	-	3,554
Management and Budget	284,332	139,205	882,810	(39,145)	1,267,202
Attorney General	20,535	387	6,175	312	27,411
Civil Rights	9,891	332	1,462	-	11,687
Civil Service	10,688	536	3,520	-	14,745
State	16,862	3,106	76,408	11	96,387
Treasury	147,213	32,320	76,476	727	256,737
Education	638,843	3,458	386,073	9,705	1,038,080
Grants to Colleges and Universities	1,117,145	10,870	-	22,957	1,150,973
Public Health	123,140	23,910	126,661	17,157	290,869
Mental Health	667,109	21,497	93,179	171,800	953,587
Social Services	1,945,165	36,763	2,370,301	(197,696)	4,154,533
Corrections	503,987	49,875	15,600	1,878	571,341
Military Affairs	12,900	5,009	10,949	247	29,107
State Police	153,009	5,488	22,114	(1,864)	178,748
Commerce	86,300	35,725	57,018	(242)	178,801
Labor	57,248	13,141	215,779	(6)	286,163
Licensing and Regulation	15,505	511	3,810	-	19,827
Natural Resources	123,451	59,682	97,174	1,135	281,443
Agriculture	26,475	3,321	17,338	2,217	49,353
Items Not Assigned to Departments	-	-	-	-	-
TOTAL	$ 6,129,602	$ 453,501	$ 4,486,679	$ -0-	$11,069,783

*Unused spending authority which does not lapse has been broken into two categories:

Timing differences are subtracted from Gross Authorizations in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multiyear projects, such as capital outlay and work projects, and also restricted revenues which were not available for expenditure in the current year because they had not been appropriated.

Restricted revenue balances forward in the Variances category represents restricted revenue carry-overs that could have been used in the current period but were not.

NOTE: This schedule was prepared on the Statutory/Budgetary basis.

LESS: TIMING DIFFERENCES*	"BUDGET" AS PRESENTED IN STATEMENTS	"ACTUAL" EXPENDED AND TRANSFERRED	"ACTUAL" ENCUMBERED BALANCES FORWARD	"FAVORABLE VARIANCES" RESTRICTED REVENUE BALANCES FORWARD*	"FAVORABLE VARIANCES" LAPSED	"UNFAVORABLE VARIANCES" OVER EXPENDED
$ 6,914	$ 93,033	$ 88,075	$ 1,783	$ 1,326	$ 1,879	$ 30
-	109,275	112,562	99	-	-	3,387
-	3,554	3,301	5	-	247	-
148,453	1,118,748	1,048,201	5,049	2,595	62,902	-
87	27,324	25,778	111	-	1,434	-
54	11,632	11,140	106	-	384	-
-	14,745	13,011	259	-	1,473	-
56	96,331	92,987	1,213	296	1,834	-
4,752	251,985	213,692	868	8,471	28,954	2
4,449	1,033,631	1,026,739	1,500	115	5,276	-
45,722	1,105,251	1,103,760	1,482	-	8	-
5,169	285,699	272,213	13,199	13	3,503	3,230
28,909	924,677	906,965	5,989	1,423	12,388	2,090
17,168	4,137,364	4,215,249	4,896	-	12,973	95,754
55,717	515,623	490,677	23,980	8	1,614	659
1,747	27,360	22,732	4,137	-	490	-
2,493	176,254	171,623	2,280	-	2,386	35
15,810	162,991	158,671	2,711	44	1,590	27
5,239	280,923	263,912	793	15,959	3,257	2,999
232	19,594	18,225	106	198	1,348	283
43,693	237,750	209,164	21,281	3,995	6,026	2,716
2,790	46,562	44,068	1,156	7	1,981	651
-	-	121	-	-	-	121
$ 389,465	$10,680,317	$10,512,879	$ 93,014	$ 34,456	$ 151,958	$ 111,990

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III STATISTICAL SECTION

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STATISTICAL DATA — LAST TEN YEARS

STATE OF MICHIGAN
REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS - OVERSIGHT ENTITY
LAST TEN YEARS
SEPTEMBER 30, 1986
(In Thousands)

SOURCE	1976-1977	1977-1978	1978-1979	1979-1980
TAXES:				
Sales	$ 1,223,667	$ 1,376,414	$ 1,506,294	$ 1,503,972
Personal Income	1,465,467	1,712,373	1,943,478	1,912,044
Single Business	803,525	899,390	1,001,300	1,076,010
Use Tax	183,323	210,482	232,895	232,319
Liquor, Beer, Wine, and Cigarette Tax	225,454	229,314	225,930	229,104
Telephone and Telegraph Company Tax	76,212	81,966	87,413	93,828
Insurance Company Premium Tax	81,547	99,755	108,778	148,569
Motor Vehicle and Fuel Tax	596,420	615,130	742,512	713,455
Other Taxes	104,385	164,792	195,421	217,094
TOTAL TAXES	4,760,007	5,389,620	6,044,023	6,126,400
FEDERAL AGENCIES	1,840,934	2,066,814	2,129,729	2,452,370
LOCAL AGENCIES	29,184	36,125	37,982	52,137
SERVICES	33,294	37,851	46,332	50,039
LICENSES AND PERMITS	108,122	97,545	97,408	118,772
MISCELLANEOUS	74,363	114,710	186,509	229,929
TOTAL REVENUE	6,845,907	7,742,668	8,541,985	9,029,649
PROCEEDS FROM BOND ISSUES	-	-	-	106,329
CAPITAL LEASE ACQUISITIONS	-	-	-	-
TOTAL REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS	$ 6,845,907	$ 7,742,668	$ 8,541,985	$ 9,135,978

NOTES: This schedule was prepared on the Statutory/Budgetary basis for years prior to 1981-82, and on the Generally Accepted Accounting Principles (GAAP) basis for years subsequent to 1980-81.

Proceeds from bond sales were recorded in "bond funds," rather than in special revenue funds for periods prior to 1979-80.

The recording of capital lease acquisitions began in 1984-85 and prior year amounts are not available.

In 1985-86, the State Lottery Fund was reclassified from the special revenue fund type to the enterprise fund type. All of the years presented in this table have been restated to reflect this change.

1980-1981	1981-1982	1982-1983	1983-1984	1984-1985	1985-1986
$ 1,594,970	$ 1,570,630	$ 1,698,983	$ 1,924,996	$ 2,142,624	$ 2,283,138
2,036,016	2,162,858	2,770,377	3,189,705	3,311,680	3,153,952
942,249	943,148	1,041,745	1,280,547	1,378,424	1,526,598
245,689	247,358	279,516	317,332	341,400	390,839
243,254	279,778	331,975	331,881	334,530	330,842
98,773	105,195	107,984	113,073	110,236	116,880
110,972	104,253	101,573	103,411	116,994	148,551
652,121	671,429	704,118	828,555	981,431	1,004,476
270,973	286,539	301,159	316,232	240,704	315,524
6,195,020	6,371,191	7,337,434	8,405,736	8,958,026	9,270,804
2,602,459	2,635,608	2,770,046	3,030,149	3,190,771	3,498,625
71,149	119,144	140,489	122,772	118,064	127,566
55,827	59,779	62,511	53,625	92,459	112,844
126,897	123,053	129,253	137,557	147,879	151,617
229,039	195,383	142,791	220,590	314,287	445,957
9,280,393	9,504,160	10,582,524	11,970,430	12,821,486	13,607,416
64,010	-	132,186	107,714	32,875	7,518
-	-	-	-	25,071	9,100
$ 9,344,403	$ 9,504,160	$10,714,710	$12,078,144	$12,879,434	$13,624,035

STATE OF MICHIGAN
SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - OVERSIGHT ENTITY
LAST TEN YEARS
SEPTEMBER 30, 1986
(In Thousands)

	1976-1977	1977-1978	1978-1979	1979-1980
Current:				
General government	$ 243,633	$ 275,403	$ 317,904	$ 345,064
Education	2,402,842	2,637,032	2,977,051	3,121,272
Health and welfare	2,128,233	2,371,985	2,558,304	3,032,898
Public safety and corrections	197,867	244,587	266,892	309,790
Conservation, recreation, and agriculture	115,389	143,620	142,778	171,834
Labor, commerce, and regulatory	206,616	275,724	285,184	347,309
Mental health	326,820	390,287	450,925	537,906
Transportation	744,596	738,101	602,054	669,645
Items not assigned to a function	493,734	546,373	639,979	667,014
Capital outlay	-	-	396,386	443,852
Intergovernmental - revenue sharing	-	-	-	-
Total Expenditures	$ 6,859,749	$ 7,623,118	$ 8,637,461	$ 9,646,589

NOTE: This schedule was prepared on the statutory/budgetary basis for years prior to 1981-82, and on the Generally Accepted Accounting Principles (GAAP) basis for years subsequent to 1980-81.

For years prior to 1978-79, operating transfers to funds other than the General and Special Revenue Funds and capital outlay expenditures are included in "current expenditures."

For years prior to 1980-81, "Intergovernmental - revenue sharing" was included in "Items not assigned to a function."

In 1985-86 the State Lottery Fund was reclassified from the special revenue fund type to the enterprise fund type. All columns presented have been restated to reflect this change.

1980-1981	1981-1982	1982-1983	1983-1984	1984-1985	1985 -1986
$ 393,324	$ 487,728	$ 437,401	$ 497,204	$ 536,658	$ 615,666
2,949,451	2,740,003	3,002,609	3,269,098	3,629,377	4,028,317
3,284,977	3,591,335	3,770,789	4,042,865	4,187,289	4,471,975
338,269	361,914	374,122	424,621	485,832	573,394
169,721	174,602	185,585	182,347	214,510	253,893
416,901	387,837	444,322	501,165	523,445	535,803
714,708	627,201	630,294	711,658	815,537	903,129
659,516	669,724	667,677	782,802	840,177	853,218
-	8,238	64,370	6,913	2,728	121
329,670	388,955	278,075	406,988	428,598	615,542
542,232	525,124	595,097	674,312	761,748	831,087
$ 9,798,774	$ 9,962,661	$10,450,343	$11,499,978	$12,425,906	$13,682,151

STATE OF MICHIGAN
RATIO OF ANNUAL GENERAL FUND DEBT SERVICE TRANSFERS FOR GENERAL OBLIGATION
BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS
LAST TEN YEARS
SEPTEMBER 30, 1986
(In Thousands)

FISCAL YEAR	PRINCIPAL	INTEREST AND FISCAL CHARGES	TOTAL DEBT SERVICE TRANSFERS	TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS	RATIO OF DEBT SERVICE TRANSFERS TO GENERAL FUND EXPENDITURES AND TRANSFERS
1976-1977	32,626	26,617	59,244	5,326,996	1.11
1977-1978	37,270	25,429	62,700	6,107,850	1.03
1978-1979	40,470	23,088	63,558	6,853,855	.93
1979-1980	34,984	21,085	56,069	7,563,326	.74
1980-1981	33,885	17,341	51,227	7,482,732	.68
1981-1982	40,279	16,579	56,859	7,516,015	.76
1982-1983	43,000	14,471	57,471	8,143,129	.71
1983-1984	41,000	12,367	53,367	9,051,729	.59
1984-1985	44,418	12,185	56,603	9,724,446	.58
1985-1986	51,200	12,911	64,111	10,512,879	.60

NOTE: Principal and interest on short-term general obligation notes are not included in this bonded debt schedule.

This schedule was prepared on the Statutory/Budgetary basis.

STATE OF MICHIGAN
NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS
SEPTEMBER 30, 1986
(In Thousands)

FISCAL YEAR	POPULATION*	GROSS BONDED DEBT	LESS DEBT SERVICE FUNDS	NET BONDED DEBT	NET BONDED DEBT PER CAPITA (IN DOLLARS)
1976-1977	9,183	$537,500	$3,188	$534,312	58.18
1977-1978	9,230	527,500	4,447	523,053	56.67
1978-1979	9,261	482,500	3,385	479,114	51.73
1979-1980	9,241	439,100	6,179	432,920	46.85
1980-1981	9,196	409,600	5,837	403,762	43.91
1981-1982	9,099	361,000	6,204	354,795	38.99
1982-1983	9,056	309,300	7,960	301,339	33.28
1983-1984	9,107	259,300	3,132	256,167	28.13
1984-1985	9,137	241,700	2,607	239,092	26.17
1985-1986	9,160	198,000	5,669	192,330	20.99

*SOURCE: Federal Bureau of the Census and Michigan Department of Management and Budget.

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ECONOMIC AND SOCIAL DATA

STATE OF MICHIGAN

ECONOMIC AND SOCIAL DATA

GENERAL INFORMATION

On January 26, 1837, Michigan was admitted to the Union as the twenty-sixth state. It is located in the East North Central Census Region and is bordered by Canada and the states of Ohio, Indiana, and Wisconsin. Michigan contains 57,022 square miles of land mass (exclusive of 1,194 square miles of inland water and 38,575 square miles of great lakes water area) with 3,288 miles of shoreline on four of the five great lakes. A combined water and land area of 96,791 square miles makes it the tenth largest state.

POPULATION

The following table presents population trends for Michigan for the last ten years, estimated at September 30 (in thousands):

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Population.....	9,183	9,230	9,261	9,241	9,196	9,099	9,056	9,107	9,137	9,160
Percent Change.....	.5%	.5%	.3%	(.2%)	(.5%)	(1.1%)	(.5%)	.6%	.3%	.3%

Source:

U.S. Bureau of the Census (adjusted to September 30 by the Office of Revenue and Tax Analysis, Michigan Department of Management and Budget).

WEALTH

The following table presents per capita income, retail sales, taxable property, and bank deposits data during the years 1977-1985:

	Per Capita Income (a)		Retail Sales (b) (In Millions)		Taxable Property Value (c) (In Millions)	Bank Deposits (d) (In Millions)
YEAR	MI	U.S.	MI	U.S.	MI	MI
1977	$ 7,867	$ 7,289	$29,520	$ 725,220	$ 54,084	$ 42,078
1978	8,737	8,133	37,711	894,343	64,863	45,809
1979	9,574	9,025	37,767	899,379	72,528	46,788
1980	10,168	9,910	38,532	959,561	82,646	62,905
1981	10,867	10,940	40,516	1,041,327	92,059	65,735
1982	11,105	11,470	39,239	1,072,065	98,210	68,312
1983	11,830	12,093	42,803	1,174,298	98,344	75,852
1984	12,989	13,114	47,012	1,297,015	100,171	80,919
1985	13,608	13,867	51,965	1,395,243	102,796	86,983

Sources:

(a) U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business.
(b) U.S. Department of Commerce, Bureau of the Census, Current Business Reports.
(c) State of Michigan, Department of Treasury, State Tax Commission.
(d) State of Michigan, Department of Commerce, Financial Institutions Bureau. The amounts shown include state and national banks, state and federal (but not federal before 1980) credit unions, and state and federal (but not federal before 1980) savings and loan associations.

EMPLOYMENT

The following table presents employment data (expressed in thousands) for the State of Michigan for the calendar years 1976-85:

Year	Total Labor Force	Total Employment	Unemployment	Unemployment
1976	3,994	3,621	373	9.4%
1977	4,117	3,780	336	8.2%
1978	4,198	3,909	289	6.9%
1979	4,312	3,977	335	7.8%
1980	4,293	3,759	534	12.4%
1981	4,306	3,777	529	12.3%
1982	4,277	3,616	661	15.5%
1983	4,287	3,678	608	14.2%
1984	4,347	3,861	487	11.2%
1985	4,352	3,920	433	9.9%

Wage and salary employment for calendar years 1981-1985 consisted of the following (in thousands):

	1981	1982	1983	1984	1985
Wage and Salary Employment					
Manufacturing					
Durable Goods:					
Lumber & Wood	10.5	9.7	10.8	12.2	12.2
Furniture & Fixtures	23.0	21.6	22.2	24.8	25.7
Primary Metals	65.0	51.1	49.5	53.6	51.7
Fabricated Metals	117.5	101.7	102.9	118.6	120.5
Nonelectric Machinery	154.8	132.1	116.9	129.4	131.9
Electric Machinery	33.0	30.4	30.6	34.1	35.8
Transportation Equipment	334.9	302.7	317.5	343.7	353.2
Other Durables	39.4	35.2	35.4	38.9	39.3
Total Durable Goods	778.1	684.5	685.8	755.3	770.3
Nondurable Goods:					
Food & Kindred	46.9	46.1	45.4	45.8	46.0
Textiles & Apparel	19.3	17.3	18.8	20.8	21.4
Paper	21.7	20.4	20.4	21.1	20.7
Printing & Publication	33.2	32.7	34.0	36.7	38.5
Chemicals & Petroleum	46.6	44.9	42.8	40.7	40.9
Other Nondurables	33.2	30.9	33.3	42.5	46.4
Total Nondurables	200.9	192.3	194.7	207.6	213.9
Total Manufacturing	979.0	876.8	880.5	962.8	984.1
Nonmanufacturing					
Construction	106.8	89.5	86.5	92.7	98.7
Transportation Communications and Utilities	147.9	143.3	139.4	140.2	142.2
Wholesale Trade	157.9	150.7	154.6	166.3	174.9
Retail Trade	556.8	542.6	556.9	579.5	608.3
Finance, Insurance and Real Estate	155.0	151.9	151.4	154.4	161.3
Services	649.6	650.3	675.0	708.0	745.3
Mining	12.9	10.4	9.0	10.0	10.3
Total Nonmanufacturing	1,786.9	1,738.6	1,722.8	1,851.0	1,941.2
Government	598.4	577.8	569.8	567.2	579.9
Total Wage and Salary Employment	3,364.3	3,193.3	3,223.1	3,381.0	3,505.2

Source: Michigan Department of Management and Budget.

A celebration of what was and will be.